21st CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS
June 30, 2018 and 2017

21ST CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS
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CONTENTS

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of 21st Century Charter School @ Gary, Inc. (the School), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 21st Century Charter School @ Gary, Inc. as of June 30, 2018 and 2017, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the 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* is presented for the purpose 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 29, 2019, 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 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 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 29, 2019

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,136,756	$ 984,734
Restricted cash	1,483,747	1,447,749
Grants and accounts receivable	550,672	362,720
Prepaid expenses	68,132	67,903
Due from related parties (Note 4)	74,973	78,538
Property and equipment, net (Note 2)	10,700,328	11,125,339
Total assets	$ 14,014,608	$ 14,066,983
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 860,405	$ 860,921
Due to related parties (Note 4)	33,560	41,594
Bonds and notes payable, net (Note 3)	13,002,577	13,260,430
Total liabilities	13,896,542	14,162,945
NET ASSETS		
Unrestricted	118,066	(95,962)
Total net assets	118,066	(95,962)
Total liabilities and net assets	$ 14,014,608	$ 14,066,983

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 and 2017

	2018	2017
Public support and revenues		
Federal grants	$ 2,118,829	$ 1,267,356
State and local grants	8,230,988	8,004,763
Education supporting services	54,171	16,921
Rental income	-	75,000
Loss on disposal of equipment	-	(1,624)
Total revenue and support	10,403,988	9,362,416
Expenses		
Federal grant funded program activities	$ 2,009,034	$ 1,267,356
State and local grant funded program activities	5,182,298	4,984,300
School operations and building services	2,370,208	2,406,188
Education supporting services	622,504	532,459
Administrative	5,916	5,528
Total expenses	10,189,960	9,195,831
Change in net assets	214,028	166,585
Net assets at beginning of year	(95,962)	(262,547)
Net assets, end of year	$ 118,066	$ (95,962)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 214,028	$ 166,585
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	534,601	592,777
Loss on disposal of property and equipment	-	1,624
Change in assets and liabilities:		
Grants and accounts receivable	(187,952)	28,014
Prepaid expenses	(229)	(14,097)
Due to/from related parties	(4,469)	41,780
Accounts payable and accrued other expenses	(516)	73,681
Net cash from operating activities	555,463	890,364
Cash flows from investing activities		
Purchases of property and equipment	(62,443)	(169,419)
Proceeds (deposits) to restricted cash	(35,998)	(28,397)
Net cash from investing activities	(98,441)	(197,816)
Cash flows from financing activities		
Principal payments on bonds and notes payable	(305,000)	(250,000)
Net cash used by financing activities	(305,000)	(250,000)
Net change in cash and cash equivalents	152,022	442,548
Cash and cash equivalents, beginning of year	984,734	542,186
Cash and cash equivalents, end of year	$ 1,136,756	$ 984,734
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 802,638	$ 813,807

See accompanying notes to financial statements.

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. The financial statements of the School are consolidated into the Greater Education Opportunities Foundation (GEOF) financial statements due to economic control.

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, 2018 and 2017.

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 consist 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: No allowance for doubtful accounts is recorded as of June, 30, 2018 and 2017. The 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.

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	3-7 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, 2018 and 2017, 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 bonds and notes payable.

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

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the School. The unrestricted net assets of the School may be used at the discretion of management to support the School's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset 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 School had no temporarily restricted net assets as of June 30, 2018 and 2017.

Permanently Restricted Net Assets – The permanently restricted net asset class 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 permanently restricted net assets as of June 30, 2018 and 2017.

Federal and State Grants: Support funded by grants is recognized as the School performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the School's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. This includes the School's basic grant support from the State which is based on per-pupil funding. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel. Total program expenses were $7,715,726 and $7,243,341, respectively, for the years ended June 30, 2018 and 2017. Total management and general expenses were $2,474,234 and $1,952,490, respectively, for the years ended June 30, 2018 and 2017. The School did not incur any fundraising expenses during either year.

Advertising: The School expenses advertising costs as incurred. During 2018 and 2017, expenses totaling $12,598 and $34,098 were incurred for advertising.

Recent Accounting Guidance: In August 2016, the FASB issued ASU 2016-14 Non-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The guidance in this ASU substantially changes the financial statement presentation and disclosure requirements of not-for-profit entities to provide more relevant information about their financial resources, liquidity and changes to those financial resources. These changes include qualitative and quantitative requirements in the presentation and disclosure of net asset classes, investment return, expenses, liquidity and availability of resources, and operating cash flows. The ASU will be effective for School's fiscal year ending June 30, 2019. The School is currently assessing the impact of ASU 2016-14 on its financial statements.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2018, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2018. Management has performed their analysis through January 29, 2019, 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:

	2018	2017
Land	$ 296,500	$ 296,500
Building and building improvements	11,489,669	11,489,669
Equipment	2,508,535	2,466,422
	14,294,704	14,252,591
Less: accumulated depreciation	(3,594,376)	(3,127,252)
	$ 10,700,328	$ 11,125,339

Depreciation expense for the years ended June 30, 2018 and 2017 were $487,454 and $536,912, respectively.

NOTE 3 – BONDS AND NOTES PAYABLE

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

	2018	2017
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 begin on February 28, 2018.	$ 5,360,000	$ 5,525,000
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
Series 2013B bonds payable, maturing in March 2018, including interest computed at 7%, 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.	-	50,000
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 2026.	765,000	855,000
	13,480,000	13,785,000
Bond issuance cost, net of accumulated amortization	(477,423)	(524,570)
Total bonds and notes payable	$ 13,002,577	$ 13,260,430

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

2019	$ 320,000
2020	335,000
2021	350,000
2022	365,000
2023	380,000
Thereafter	11,730,000
	$ 13,480,000

Total interest expense during the years ended June 30, 2018 and 2017 were $802,638 and $813,029, respectively. The School has financial and nonfinancial covenants associated with the debt obligations. At June 30, 2018 and 2017, the School was not in compliance with certain covenants. The School obtained a waiver from the bondholder for the year ended June 30, 2018.

NOTE 4 - RELATED PARTY TRANSACTIONS

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, 2018 and 2017, the School paid GEOF administrative fees of $600,000 and $532,459, 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, 2018 and 2017, the School paid GEOF reimbursements of $374,699 and $296,123, respectively, for self-insurance expense and other reimbursements. The School's board retains final authority and responsibility for financial and budgetary commitments. At June 30, 2018 and 2017, the School has a payable to GEOF for $33,560 and $41,594, respectively, for various transactions and a receivable from GEOF in the amount of $74,973 and $78,538, respectively, for overpayment of administrative fees.

The School leased space to Gary Middle College, Inc., a separate charter school also managed by GEOF, through September 30, 2016 until Gary Middle College, Inc. relocated to a different facility. Rent income totaled $0 and $75,000 for the years ended June 30, 2018 and 2017.

NOTE 5 - 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 $148,699 and $136,689 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - 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, 2018 and 2017.

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 School employees are required to contribute three percent of their annual covered salary. 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, 2018 and 2017 was $305,797 and $301,534, respectively.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass Through Number	Total Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Indiana Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	9545	$ 133,338
National School Lunch Program	10.555	9545	390,057
Total Child Nutrition Cluster | U.S. Department of Agriculture			523,395
U.S. Department or Education			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	S010A160014	222,366
Title I Grants to Local Educational Agencies	84.010	S010A170014	1,055,537
Total for Title I Grants to Local Educational Agencies			1,277,903
Special Education Cluster			
Special Education Grants to States	84.027	17611-532-PN01	20,494
Special Education Grants to States	84.027	18611-532-PN01	146,971
Total Special Education cluster			167,465
Supporting Effective Instruction State Grants	84.367	S010A160014	53,000
Supporting Effective Instruction State Grants	84.367	S010A170014	97,067
Total for Supporting Effective Instruction State Grants			150,067
Total expenditures of federal awards			$ 2,118,830

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

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, 2018. 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, 2018, 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 29, 2019.

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) to determine the 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 may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this 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 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.

Crowe LLP

Crowe LLP

Indianapolis. Indiana
January 29, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited 21st Century Charter School @ Gary, Inc.'s (the School) compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2018. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

(Continued)

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 29, 2019

Section 1 – 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
Internal control over financial reporting:	
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 federal programs:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiency(ies) identified?	____ Yes __X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
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)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

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.

Section III – Federal Award Findings and Questioned Costs

None.

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

Indiana State Board of Accounts Compliance Report of 21st Century Charter School @ Gary. Inc.

The above 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 addressing is *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

INDIANA STATE BOARD OF ACCOUNTS
COMPLIANCE REPORT OF
21ST CENTURY CHARTER SCHOOL @ GARY, INC.

LAKE COUNTY, INDIANA
July 1, 2017 to June 30, 2018

21ST CENTURY CHARTER SCHOOL @ GARY, INC.

LAKE COUNTY, INDIANA
July 1, 2017 to June 30, 2018

TABLE OF CONTENTS

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHOOL OFFICIALS

Office	Official	Term
Lead Principal	Anthony Cherry	July 1, 2017 to June 30, 2018
Treasurer	Dana Johnson Teasley	July 1, 2017 to June 30, 2018
President of the Charter Board	Arlene Colvin	July 1, 2017 to June 30, 2018

INDEPENDENT ACCOUNTANTS REPORT ON COMPLIANCE
WITH GUIDELINES FOR THE AUDITS OF CHARTER
SCHOOLS PERFORMED BY PRIVATE EXAMINERS

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

We have audited the financial statements of 21st Century Charter School @ Gary, Inc. ("School") as of and for the year ended June 30, 2018, and have issued our report thereon, dated January 29, 2019.

In connection with that audit and with our consideration of School's internal control as required by the *Guidelines for the Audits of Charter Schools Performed by Private Examiners* ("Guide"), issued by the Indiana State Board of Accounts, we performed procedures prescribed under the Guide for the year ended June 30, 2018.

As required by the Guide, we performed procedures to test compliance with the requirements that are applicable to the School. Our procedures were substantially narrower in scope than an audit, the objective of which is the expression of an opinion on the School's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance with those requirements, which is described in the accompanying Schedule of Findings as item 2018-001.

The purpose of this report is solely to describe the scope of our testing over compliance with the requirements prescribed under the Guide and the results of that testing, and not to provide a legal determination of compliance with those requirements. Accordingly, this report is not suitable for any other purpose.

The School's response to the finding identified is described in the accompanying Schedule of Findings. The School's response was not subjected to the procedures applied and, accordingly, we express no opinion on it.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 29, 2019

FINDING 2018-001: TICKET SALES

Criteria: Chapter 6 IC 5-13-6-1 of the Indiana Charter School Manual states in part, "the department of state revenue; that is detached from the main office of the department is not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars ($500). However, the office must deposit the funds on hand not later than the business day following the day that the funds exceed five hundred dollars ($500)."

Condition: During our testing of ticket sales report, it was noted that one deposit did not occur the business day after an event in which ticket sales exceeded $500.

Recommendation: We recommend the School deposits all monies received from ticket sales in the business day after the event.

Management Response: We strive to meet the 24 hour deadline for depositing extracurricular funds. In this instance we were unable to do so. It remains our intent and goal to meet the deadline in the future.

EXIT CONFERENCE

The contents of this report were discussed on January 29, 2019, with Dana Johnson Teasley, Treasurer. The Official Response has been made a part of this report and may be found immediately following the finding on page 3.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Central Indiana Military Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy as of June 30, 2018 and 2017, 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.

DONOVAN

DONOVAN

November 13, 2018
Indianapolis, Indiana

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 760,359	$ 699,209
Grants receivable	53,721	47,326
Prepaid expenses	29,128	47,426
Total current assets	843,208	793,961
PROPERTY AND EQUIPMENT		
Land	320,000	320,000
Buildings and improvements	3,137,677	3,143,177
Furniture and equipment	2,280,886	2,108,669
Textbooks	143,963	143,963
Vehicles	57,279	41,750
Less: accumulated depreciation	(2,568,118)	(2,105,831)
Property and equipment, net	3,371,687	3,651,728
TOTAL ASSETS	$ 4,214,895	$ 4,445,689
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 231,399	$ 142,443
Current portion of capital lease obligations	46,149	82,308
Accounts payable and accrued expenses	464,539	334,047
Refundable advances	840	3,046
Total current liabilities	742,927	561,844
LONG-TERM LIABILITIES		
Notes payable, net of current portion	1,577,095	1,549,318
Capital lease obligations, net of current portion	26,411	226,416
Total long-term liabilities	1,603,506	1,775,734
Total liabilities	2,346,433	2,337,578
NET ASSETS, UNRESTRICTED		
Undesignated	301,430	374,951
Invested in property and equipment, net of related debt	1,490,633	1,651,243
Board designated net assets	76,399	81,917
Total net assets	1,868,462	2,108,111
TOTAL LIABILITIES AND NET ASSETS	$ 4,214,895	$ 4,445,689

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 5,168,152	$ 5,461,128
Grant revenue	1,173,937	1,222,702
Student fees	167,626	200,912
Contributions	26,284	33,319
In-kind contribution of capitalized equipment	-	280,703
Fundraising and other income	211,317	246,610
Total revenue and support	6,747,316	7,445,374
EXPENSES		
Program services	5,662,020	5,719,895
Management and general	1,324,945	1,304,082
Total expenses	6,986,965	7,023,977
CHANGE IN NET ASSETS	(239,649)	421,397
NET ASSETS, BEGINNING OF YEAR	2,108,111	1,686,713
NET ASSETS, END OF YEAR	$ 1,868,462	$ 2,108,111

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

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 3,153,084	$ 647,297	$ 3,800,381	$ 3,213,157	$ 666,789	$ 3,879,946
Employee benefits	638,506	152,017	790,523	641,916	147,411	789,327
Depreciation	512,834	-	512,834	356,727	-	356,727
Professional services	302,946	208,766	511,712	265,288	178,201	443,489
Classroom, kitchen and office supplies	322,115	29,998	352,113	362,896	29,011	391,907
Occupancy	343,947	-	343,947	410,372	-	410,372
Property rental and maintenance	201,566	-	201,566	249,952	-	249,952
Authorizer oversight fees	-	117,693	117,693	-	123,562	123,562
Insurance	-	116,982	116,982	-	118,939	118,939
Interest	92,393	-	92,393	95,924	-	95,924
Other	32,020	47,104	79,124	48,935	37,519	86,454
Staff development	25,465	5,088	30,553	54,134	2,650	56,784
Loss on disposal of property and equipment	21,118	-	21,118	-	-	-
Transportation	16,026	-	16,026	20,594	-	20,594
Total functional expenses	$ 5,662,020	$ 1,324,945	$ 6,986,965	$ 5,719,895	$ 1,304,082	$ 7,023,977

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

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (239,649)	$ 421,397
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	512,834	356,727
(Gain) loss on disposal of property and equipment	21,118	(2,570)
In-kind contribution of capitalized equipment	-	(280,703)
Changes in certain assets and liabilities:		
Grants receivable	(6,395)	(47,326)
Prepaid expenses	18,298	(3,589)
Accounts payable and accrued expenses	130,492	38,492
Refundable advances	(2,206)	(16,439)
Net cash provided by operating activities	434,492	465,989
INVESTING ACTIVITIES		
Purchases of property and equipment	(253,911)	(285,184)
FINANCING ACTIVITIES		
Principal reduction of capital lease obligations	(236,164)	(65,912)
Proceeds from notes payable	300,454	-
Principal repayment of notes payable	(183,721)	(135,648)
Net cash used in financing activities	(119,431)	(201,560)
NET CHANGE IN CASH	61,150	(20,755)
CASH, BEGINNING OF YEAR	699,209	719,964
CASH, END OF YEAR	$ 760,359	$ 699,209

	2018	2017
SUPPLEMENTAL INFORMATION		
Property and equipment obtained under capital lease obligations	$ -	$ 194,800
Property and equipment obtained via in-kind contribution	-	280,703
Cash paid for interest	92,393	95,924

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 760 students in grades kindergarten through twelve 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, 2018 and 2017 for purposes related to various School academic and sports programs. Board designated net assets totaled $76,399 and $81,917, 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.

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.

Contributions 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $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:

Building and improvements	5 to 40 years
Furniture and equipment	3 years
Textbooks	4 years
Vehicles	5 years

Reclassification – Temporarily restricted net assets for the year ended June 30, 2017 have been reclassified as board designated net assets. The net assets were erroneously considered temporarily restricted but were not donor restricted funds. This reclassification did not affect total net assets as of June 30, 2017.

Subsequent Events – The School evaluated subsequent events through November 13, 2018, 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 require.

NOTE 2 - REVOLVING LINE OF CREDIT

The School has a $100,000 revolving line of credit to provide short-term financing, which is secured by all business assets. Bank advances on the credit line carry an interest rate of .75% above the lender's prime rate. There were no advances outstanding on the line of credit as of June 30, 2018 and 2017.

NOTE 3 - NOTES PAYABLE

Notes payable were comprised of the following at June 30:

	2018	2017
Mortgage loan payable to MainSource Bank, payable in monthly installments of $4,460 including interest at 4.55% per annum through July 2021, secured by a mortgage on School facilities and all business assets	$ 153,551	$ -
Mortgage loan payable to MainSource 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	105,654	-
Mortgage loan payable to MainSource Bank, payable in monthly installments of $3,761 including interest at 4.85% per annum (adjustable annually beginning August 2019) through July 2026, secured by a mortgage on School facilities and all business assets	320,737	343,052
Mortgage loan payable to MainSource Bank, payable in monthly installments of $4,214 including interest at 4.85% per annum (adjustable annually beginning September 2019) through July 2026, secured by a mortgage on School facilities and all business assets	337,232	370,327
Mortgage loan payable to MainSource Bank, payable in monthly installments of $7,341 including interest at 4.85% per annum (adjustable annually beginning August 2019) through August 2026, secured by a mortgage on School facilities and all business assets	591,622	649,081
Mortgage loan payable to MainSource Bank, payable in monthly installments of $3,224 including interest at 4.85% per annum (adjustable annually beginning September 2019) through March 2029, secured by a mortgage on School facilities and all business assets	299,698	329,301
	1,808,494	1,691,761
Less: current portion	(231,399)	(142,443)
Long-term portion	$ 1,577,095	$ 1,549,318

NOTE 3 - NOTES PAYABLE, Continued

The MainSource Bank notes payable require the School to maintain a minimum debt service coverage ratio greater than 1.50 to 1.00. The bank waived this requirement for the year ended June 30, 2018.

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

2019	$ 231,399
2020	242,614
2021	256,848
2022	173,351
2023	182,070
Thereafter	722,212
	$ 1,808,494

NOTE 4 - LEASES

The School leases various items of equipment under capital leases. At June 30, 2018, the cost and accumulated depreciation relating to these assets were $306,200 and $149,433, respectively ($764,519 and $512,685, respectively, at June 30, 2017).

Minimum future lease payments as of June 30, 2018 under capital leases and the present value of the net minimum lease payments are as follows for the years ending June 30:

2019	$ 48,596
2020	23,533
2021	3,912
Less: amount representing interest	(3,482)
	$ 72,559

The School also leases various items of equipment under operating leases. Total expense under these operating leases was $30,796 and $34,444 for the years ended June 30, 2018 and 2017, respectively. None of the operating leases have terms extending beyond the following fiscal year.

NOTE 5 - 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, 2018 and 2017, the School contributed 7.5% 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, 2017 (the latest year reported), TRF was more than 80% 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 2018 or 2017. Retirement plan expense under both plans was $231,637 and $249,843 for the years ended June 30, 2018 and 2017, 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 3% of state tuition support. Payments under this charter agreement were $117,693 and $123,562 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

The School has contracted 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 through August 2020 with the option to purchase additional services for which the School is billed as services are provided. The School has the option to terminate the agreement with 30 days notice. Payments under this agreement were $79,868 and $79,512 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - 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, 2018, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at MainSource Bank, and are insured up to the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2018

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

Supplemental Audit Report of Central Indiana Military Academy, Inc.
d/b/a 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*.

SUPPLEMENTAL AUDIT REPORT

OF

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY

MADISON COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
MADISON COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
Chairman of Board of Directors	Sam Pellegrino	07/01/17 – 06/30/18
Business Manager	Natalie Hall	07/01/17 – 06/30/18
Treasurer of Board of Directors	David Ashby	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
Central Indiana Military Academy, Inc.

We have audited the financial statements of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated November 13, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 13, 2018

RECEIPTS AND DEPOSITS

We tested twenty-five cash receipts from the School's receipt books. Seven of the receipts tested were not deposited timely.

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, Part 8)

TICKET SALES

We tested four events where tickets were sold. Two events did not have the correct number of tickets retained when compared to the total deposit.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
MADISON COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed with management and will be presented to the Board of Directors on November 29, 2018. The Official Response has been made a part of this report and may be found on page 5.

2200 W. 22nd Street
Anderson, IN 46016
Kindergarten - Delta
765.649.8472 - office
765.640.5445 - fax
www.goapa.org

ANDERSON PREPARATORY
APA
ACADEMY

101 W. 29th Street
Anderson, IN 46016
Echo - 12th Grade
765.649.8742 - office
765.640.2550 - fax
www.goapa.org

November 13, 2018

Management responses to SBOA compliance findings:

Receipts and Deposits:

Management will continue to remind staff members to turn in money and receipts every 2 days so that the money can be deposited into the financial institution by the 3rd business day. We are now picking cash up from our other facility every other day so that we can ensure timely deposits.

Ticket Sales:

The Athletic Director has been notified to be more diligent about accounting for tickets to ensure the money collected matches the amount of ticket stubs remaining.

"Where Excellence is Expected"

ASPIRE CHARTER ACADEMY, INC.

Financial Statements, Additional Information, and Federal Awards Supplemental Information as of and for the Year Ended June 30, 2018, and Independent Auditors' Reports

National Heritage Academies®

ASPIRE CHARTER ACADEMY, INC.

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Aspire Charter Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Aspire Charter Academy, Inc., which comprise the statement of financial position as of June 30, 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspire Charter Academy, Inc. as of June 30, 2018 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.

Other Matters

Our audit was conducted 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 audit 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), 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 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 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 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 14, 2018

ASPIRE CHARTER ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS:	
Cash	$ 783,152
Due from governmental revenue sources	2,783,189
Less allowance for doubtful accounts	(2,544,248)
Total due from governmental revenue sources, net of allowance for doubtful accounts	238,941
Total current assets	1,022,093
NON-CURRENT ASSETS:	
Capital assets	191,883
Less accumulated depreciation	(135,784)
Total capital assets, net of accumulated depreciation	56,099
TOTAL	$ 1,078,192

LIABILITIES AND NET ASSETS

LIABILITIES:	
Deferred revenue	$ 2,873
Contracted service fee payable	996,048
Total liabilities	998,921
NET ASSETS:	
Unrestricted and undesignated	79,271
Total net assets	79,271
TOTAL	$ 1,078,192

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

ASPIRE CHARTER ACADEMY, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2018

REVENUES, AND SUPPORT:	
State aid	$ 5,101,831
Other state sources	649,672
Federal sources	1,809,658
Private sources	11,988
Total revenues, and support	7,573,149
EXPENSES:	
Contracted service fee	7,572,529
Depreciation	18,950
Expenses of the Board of Directors	(120)
Total expenses	7,591,359
CHANGE IN NET ASSETS	(18,210)
NET ASSETS:	
Beginning of year	97,481
End of year	$ 79,271

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

ASPIRE CHARTER ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services		Supporting Services	
	Regular Education	Special Education	Management and General	Total
Contracted service fee:				
Salaries and wages	$ 2,594,087	$ 278,928	$ -	$ 2,873,015
Retirement contributions	34,821	4,447	-	39,268
Other employee benefits	513,341	56,310	-	569,651
Payroll taxes	206,494	19,789	-	226,283
Accounting fees	6,550	-	74,229	80,779
Curriculum, textbooks, and supplies	199,814	980	-	200,794
Postage and shipping	4,214	-	-	4,214
Occupancy	1,554,576	-	5,149	1,559,725
Food service	414,502	-	-	414,502
Equipment rental and maintenance	124,748	-	-	124,748
Printing and publications	88,782	-	-	88,782
Travel	39,130	-	-	39,130
Conferences and meetings	120,650	1,668	-	122,318
Professional fees	196,108	233,564	-	429,672
Instructional support	-	-	125,658	125,658
Academic and general support	-	-	193,298	193,298
Enrollment and parent relations	-	-	35,150	35,150
Board support	-	-	61,540	61,540
Human resources	-	-	123,672	123,672
Support services	-	-	26,449	26,449
Technology	8,459	-	97,293	105,752
Marketing and business development	28,792	-	30,633	59,425
Insurance	21,308	-	-	21,308
Miscellaneous	47,396	-	-	47,396
Total contracted service fee	6,203,772	595,686	773,071	7,572,529
Depreciation	18,950	-	-	18,950
Expenses of Board of Directors	(120)	-	-	(120)
Total expenses	$ 6,222,602	$ 595,686	$ 773,071	$ 7,591,359

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

ASPIRE CHARTER ACADEMY, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
State aid	$ 5,101,831
Other state sources	649,672
Federal sources	1,877,658
Private sources	13,107
Payments for services rendered	(7,399,395)
Net cash provided by operating activities	242,873
NET INCREASE IN CASH	242,873
CASH — Beginning of year	540,279
CASH — End of year	$ 783,152
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in net assets	$ (18,210)
Depreciation	18,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in due from governmental revenue sources	67,999
Change in contracted service fee payable	173,015
Change in deferred revenue	1,119
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 242,873

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

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 685 students during the 2017-2018 school year.

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 above. This amounted to $110,100 for the fiscal year 2018. The charter expires on June 30, 2019, and is subject to renewal.

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.

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.

Cash — Cash as of June 30, 2018 represents bank deposits with a carrying amount of $783,152 and a bank balance of $787,493, of which $537,493 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.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2018 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.

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

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

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets.

- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 2014 are open to audit for both federal and state purposes.

Subsequent Events — The Academy evaluated subsequent events through December 14, 2018, 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.

Recent Accounting Pronouncements — The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Academy, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Academy's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Academy is currently evaluating the impact this standard will have on the financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Academy's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Academy has not yet determined which application method it will use. The Academy is in the process of evaluating potential effects of the new standard on the financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases,* which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statement of Activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statement of Financial Position. The reporting of lease-related expenses in the Statements of Activities and Cash Flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Academy's year ending June 30, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined, but is expected to have minimal impact when adopted.

3. DUE FROM GOVERNMENTAL REVENUE SOURCES

The Academy's accounts receivable balance consists of amounts due from the State of Indiana for tuition support relating to a) the first six months of the Academy's initial school year and b) enrollment growth occurring in subsequent school years.

Pursuant to IC § 20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

In April 2013, the Indiana General Assembly repealed IC § 20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The amounts forgiven under House Bill 1001 were to be applied against the related accounts receivable balance previously recorded by the Academy. The Academy did not receive funds from the Common School Fund and as such, no amount was forgiven by the State.

Members of the Indiana General Assembly have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legal efforts are being made to resolve any outstanding obligations of the State. As a result, the Academy continues to carry a receivable balance of $2,544,248 that was not reimbursed through the provisions of House Bill 1001, however the Academy has reserved for its potential un-collectability. The remaining balance of $238,941 in account receivable relates to routine amounts due from other state programs and federal programs.

4. RISK MANAGEMENT

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 2018, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Other equipment	$ 191,883	$ -	$ -	$ 191,883
Total capital assets at historical cost	191,883	-	-	191,883
Less accumulated depreciation — equipment	(116,834)	(18,950)	-	(135,784)
Total accumulated depreciation	(116,834)	(18,950)	-	(135,784)
Total capital asset activity, net	$ 75,049	$ (18,950)	$ -	$ 56,099

6. CONTINGENCIES

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.

7. 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, 2017 through June 30, 2018. Annual rental payments required by the lease are $912,800 payable in twelve monthly payments of $76,067.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2018 through June 30, 2019 at the same rental rate.

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. Accordingly, certain expenses have been allocated between program and supporting services.

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Donovan CPAs

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*

The Board of Directors
Aspire Charter Academy, Inc.

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 Aspire Charter Academy, Inc., which comprise the statement of financial position as of June 30, 2018, 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 14, 2018.

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) to determine the 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 may exist that have not been identified.

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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Aspire Charter Academy, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aspire Charter Academy, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

Indianapolis, Indiana
December 14, 2018

Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE*

The Board of Directors
Aspire Charter Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Aspire Charter Academy, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2018. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Aspire Charter Academy, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aspire Charter Academy, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Aspire Charter Academy, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Aspire Charter Academy, Inc. complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

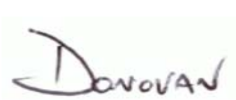
Management of Aspire Charter Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Aspire Charter Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aspire Charter Academy, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

DONOVAN



Indianapolis, Indiana
December 14, 2018

ASPIRE CHARTER ACADEMY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE				
Pass-through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	$	84,095
National School Lunch Program	10.555	N/A		330,914
Total for federal grantor agency				415,009
U.S. DEPARTMENT OF EDUCATION				
Pass-through Indiana Department of Education				
Title I, Part A Cluster				
Grants to Local Educational Agencies	84.010	17-9685		216,180
	84.010	18-9685		1,022,622
	84.010A	S010A160014		45,000
	84.010A	S010A170014		6,118
Special Education Cluster				
Special Education – Grants to States	84.027	14216-521-PN01		29,545
Improving Teacher Quality State Grants	84.367	S367A150015		29,864
	84.367	S367A160013		33,590
	84.367	S367A170013		11,729
Total for federal grantor agency				1,394,648
Total federal awards expended			$	1,809,657

See independent auditors’ report and notes to this schedule.

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, 2018. 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 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.

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.

ASPIRE CHARTER ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Part A Cluster Grants to Local Educational Agencies

Dollar threshold use to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

ASPIRE CHARTER ACADEMY, INC.

OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2018

The reports presented herein were prepared in addition to another official report prepared for Aspire Charter Academy, Inc. 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*.

SUPPLEMENTAL AUDIT REPORT

OF

ASPIRE CHARTER ACADEMY, INC.

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

ASPIRE CHARTER ACADEMY, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	**Official**	**Term**
President of Board of Directors	Denise Dillard	07/01/17 – 06/30/18
School Leader	ReNae Robinson	07/01/17 – 06/30/18
Board Treasurer	LaCrecia Lott	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
Aspire Charter Academy, Inc.

We have audited the financial statements of Aspire Charter Academy, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated December 14, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 14, 2018

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FORM USAGE

The School does not use the prescribed forms required for receipting funds.

The form is to be prenumbered by the printing supplier in duplicate, five receipts to the page. A receipt must be written on the form each time any money is received by the charter school regardless of whether it is in the form of cash, check, money order, bank card/credit card, EFT (all on which must be indicated as payment type and amount) or other negotiable instrument. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the School was not in compliance with the minimum internal control requirements as set forth by IC 5-11-1-27(g). The standards were adopted, but personnel did not receive training.

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

ASPIRE CHARTER ACADEMY, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 14, 2018, with Janet Thatcher, Corey Balkon, and Christine Paulen from National Heritage Academies. The official response has been made a part of this report and may be found on page 5.

CORRECTIVE ACTION PLAN – STATE COMPLIANCE AUDIT FINDINGS

Finding: *The Academy does not use the prescribed firms required for receipting funds.*

The form is to be prenumbered by the printing supplier in duplicate, five receipts to the page. A receipt must be written on the form each time any money is received by the charter school regardless of whether it is in the form of cash, check, money order, bank card/credit card, EFT (all on which must be indicated as payment type and amount) or other negotiable instrument. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

Response: The Academy does use electronic forms for the majority of its receipting process in place of the above listed prescribed manual forms. The Academy is in the process of providing the manual forms to the individuals at the school for the minimal amount of money that is not collected through their electronic system.

Finding: *The Academy is not in compliance with minimum control standards.*

Per review and discussion with school personnel, it was determined that the School was not in compliance with the minimum internal control requirements as set forth by IC 5-11-1-27(g). The standards were adopted, but personnel did not receive training.

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. The internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. Personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

Response: The Academy will ensure all the school personnel responsible for minimum control standards have completed the necessary training prior to the next audit.

Cary E Be

12/18/18

4900 W. 15TH AVE • GARY, IN 46406-2308
219 944 7400 OFFICE • 219 944 7474 FAX
ASPIRECHARTERACADEMY.ORG

THE BLOOMINGTON PROJECT SCHOOL, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan
CPAs

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
The Bloomington Project School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Bloomington Project School, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and change in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bloomington Project School, Inc. as of June 30, 2018 and 2017, and the changes in its net assets (deficit), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

November 16, 2018
Indianapolis, Indiana

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 355,908	$ 236,125
Grants receivable	19,405	25,446
Prepaid expenses	-	808
Total current assets	375,313	262,379
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,222,431	2,222,431
Furniture and equipment	480,380	480,380
Textbooks	77,316	77,316
Less: accumulated depreciation	(1,195,373)	(1,119,601)
Property and equipment, net	1,584,754	1,660,526
OTHER ASSETS		
Security deposit	10,000	10,000
TOTAL ASSETS	$ 1,970,067	$ 1,932,905
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 101,826	$ 96,121
Accounts payable	33,427	23,140
Accrued expenses	145,197	108,746
Refundable advances	83,577	22,698
Total current liabilities	364,027	250,705
LONG-TERM LIABILITIES		
Deferred rent payable	10,125	20,250
Notes payable, net of current portion	1,498,246	1,602,014
Total long-term liabilities	1,508,371	1,622,264
Total liabilities	1,872,398	1,872,969
NET ASSETS, UNRESTRICTED		
Undesignated	54,650	30,188
Invested in property and equipment, net of related debt	43,019	29,748
Total net assets, unrestricted	97,669	59,936
TOTAL LIABILITIES AND NET ASSETS	$ 1,970,067	$ 1,932,905

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

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,838,387	$ 1,781,519
Grant revenue	359,087	338,083
Student fees	77,915	84,630
Contributions	126,534	120,408
Other income	50,545	21,578
Total revenue and support	2,452,468	2,346,218
EXPENSES		
Program services	1,789,670	1,597,474
Management and general	625,065	608,999
Total expenses	2,414,735	2,206,473
CHANGE IN NET ASSETS	37,733	139,745
NET ASSETS (DEFICIT), BEGINNING OF YEAR	59,936	(79,809)
NET ASSETS, END OF YEAR	$ 97,669	$ 59,936

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

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,063,798	$ 266,178	$ 1,329,976	$ 977,664	$ 254,543	$ 1,232,207
Employee benefits	285,618	76,663	362,281	209,795	69,408	279,203
Staff development	1,887	352	2,239	7,283	-	7,283
Professional services	34,618	55,610	90,228	21,049	52,395	73,444
Repairs and maintenance	47,643	-	47,643	39,277	-	39,277
Authorizer oversight fees	-	43,993	43,993	-	42,434	42,434
Food costs	42,905	-	42,905	48,115	-	48,115
Transportation	8,499	-	8,499	6,047	-	6,047
Equipment	5,253	-	5,253	263	-	263
Classroom, kitchen, and office supplies	29,218	3,058	32,276	35,050	4,717	39,767
Occupancy	147,477	-	147,477	150,803	-	150,803
Depreciation	75,772	-	75,772	77,780	-	77,780
Interest	-	101,277	101,277	-	104,152	104,152
Insurance	-	20,354	20,354	-	14,858	14,858
Other	46,982	57,580	104,562	24,348	66,492	90,840
Total functional expenses	$ 1,789,670	$ 625,065	$ 2,414,735	$ 1,597,474	$ 608,999	$ 2,206,473

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 37,733	$ 139,745
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,772	77,780
Changes in certain assets and liabilities:		
Grants receivable	6,041	(19,380)
Prepaid expenses	808	6,536
Accounts payable	10,287	(6,969)
Accrued expenses	36,451	8,480
Refundable advances	60,879	22,698
Deferred rent payable	(10,125)	(10,125)
Net cash provided by operating activities	217,846	218,765
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,789)
FINANCING ACTIVITIES		
Principal repayment of notes payable	(98,063)	(61,335)
NET CHANGE IN CASH	119,783	155,641
CASH, BEGINNING OF YEAR	236,125	80,484
CASH, END OF YEAR	$ 355,908	$ 236,125
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 101,277	$ 97,062

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – The Bloomington Project School, Inc. (the "School") is a public benefit not-for-profit 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 280 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 generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by 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 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.

Contributions – Contributions 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 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and net assets (deficit) as net assets released from restriction. There were no donor restriction in 2018 or 2017.

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	30 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 16, 2018, 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 - REFUNDABLE ADVANCE

The School was awarded grants from the Lilly Foundation, Inc. of $100,000 and $30,000 during the years ended June 30, 2018 and 2017, respectively. The grants are for the purpose of establishing comprehensive counseling services for students and must be utilized for their intended purpose no later than June 30, 2021, after which any remaining unused portion of each grant is subject to reversion to the grantor organization. The unused portion of each grant is shown as a refundable advance on the statements of financial position.

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2018	2017
Note payable to Indiana Finance Authority	$ 424,552	$ 470,778
Note payable to IFF	1,117,183	1,160,000
Note payable to Bloomington Urban Enterprise Association	2,917	5,417
Common School Fund Loan	55,420	61,940
	1,600,072	1,698,135
Less current portion	(101,826)	(96,121)
Long-term portion	$ 1,498,246	$ 1,602,014

NOTE 3 - NOTES PAYABLE, Continued

Indiana Finance Authority Note Payable - The note payable to Indiana Finance Authority is payable in quarterly installments of $33,775, 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 principal balance due at the maturity date of August 1, 2033. The note is secured by a leasehold mortgage, and furniture and equipment.

Bloomington Urban Enterprise Association Note Payable - The note payable to Bloomington Urban Enterprise Association is payable in monthly installments of $208, with the unpaid balance due on August 1, 2019. The note is unsecured and non-interest bearing.

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

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

2019	$	101,826
2020		104,662
2021		110,472
2022		117,080
2023		124,158
Thereafter		1,041,874
Total	$	1,600,072

NOTE 4 - LEASES

The School leases its school facility under an operating lease. The lease expires June 30, 2019 and requires annual rent payments of $88,125. The School has the option to renew the lease for four additional five-year periods. In the initial stages of the lease, the School was allowed certain rent concessions and has, therefore, recorded a deferred credit to reflect the excess of rent expense over cash payments for that period of time. The School also rents certain items of office equipment under operating leases.

Expense under operating leases was $97,473 and $91,320 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease obligations for non-cancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

2019	$	91,638
2020		3,513
2021		3,513
2022		3,513

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 year ended June 30, 2018, the School contributed 7.5% 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, 2017 (the latest year reported), TRF and PERF were more than 80% funded.

In lieu of TRF, teaching faculty can elect benefits under a 403(b) plan, where the School contributes 7.5% of compensation. Retirement plan expense was $102,801 and $61,256 for the years ended June 30, 2018 and 2017, respectively. The 2017 expense is net of a 403(b) forfeiture of $32,675 applied to the School's 2017 contribution. No forfeitures were applied in 2018 to reduce the School's matching contributions.

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 $43,993 and $42,434 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2019, and is renewable thereafter by mutual consent.

NOTE 7 - 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, 2018, substantially all of the receivable balance was due from the State of Indiana.

NOTE 8 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the education activities have been summarized on a functional basis in the statement of activities and change in net assets (deficit). Accordingly, certain expenses have been allocated between program services and management and general expenses.

THE BLOOMINGTON PROJECT SCHOOL, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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

Supplemental Audit Report of The Bloomington Project School, 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
OF
THE BLOOMINGTON PROJECT SCHOOL, INC.

MONROE COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan
CPAs

TABLE OF CONTENTS

Page

THE BLOOMINGTON PROJECT SCHOOL, INC.
MONROE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Rachael McAfee	07/01/17 – 06/30/18
Business Manager	Terri Burks	07/01/17 – 06/30/18
School Leader	Catherine Diersing	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
The Bloomington Project School, Inc.

We have audited the financial statements of The Bloomington Project School, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated November 16, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 16, 2018

www.cpadonovan.com
Westside Office | 5151 E. US Hwy 36, Avon, IN 46123 **|** 317.745.6411
Northside Office | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 **|** 317.844.8300

REQUIRED REPORTS

The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2017 to June 30, 2018. Receipts, expenditures, and ending balances reported in the various fund accounts did not accurately reflect the activity in those funds.

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

THE BLOOMINGTON PROJECT SCHOOL, INC.
MONROE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on November 16, 2018 with Catherine Diersing (School Leader), Terri Burks (Business Manager), Lisa Jones and Xochitl Alvarez (Outsourced Bookkeepers with CSMC). The Official Response has been made a part of this report and may be found on page 5.

the project school

349 S. Walnut Street
Bloomington, IN 47401
812-558-0041

November 16, 2018

Donovan CPAs
9292 North Meridian Street, Suite 150
Indianapolis, IN 46260

The Bloomington Project School understands the Form 9 finding indicated in the FY18 audit. We will be working with our accounting team to resolve the matter going forward. To reiterate, the overall balance is in agreement but rather the activity within the funds is what will be addressed.

Catherine Diersing, School Leader

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Friends of Canaan, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of Canaan, Inc. d/b/a Canaan Community Academy, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Canaan, Inc. d/b/a Canaan Community Academy as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

October 29, 2018
Indianapolis, Indiana

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 180,409	$ 158,950
Grants receivable	14,262	1,553
Prepaid expenses	18,405	20,450
Total current assets	213,076	180,953
PROPERTY AND EQUIPMENT		
Leasehold improvements	5,646	-
Furniture and equipment	272,151	269,805
Textbooks	87,548	87,548
Vehicles	12,300	12,300
Less: accumulated depreciation	(349,577)	(326,643)
Property and equipment, net	28,068	43,010
TOTAL ASSETS	$ 241,144	$ 223,963
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	$ 4,459	$ 12,956
Accounts payable and accrued expenses	53,063	63,825
Refundable advances	15,598	14,198
Total current liabilities	73,120	90,979
LONG-TERM LIABILITIES		
Note payable, net of current portion	-	4,459
Total liabilities	73,120	95,438
UNRESTRICTED NET ASSETS	168,024	128,525
TOTAL LIABILITIES AND NET ASSETS	$ 241,144	$ 223,963

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 767,584	$ 619,547
Grant revenue	210,804	135,480
Student fees	23,970	25,178
Contributions	27,279	25,066
Other income	17,929	22,320
Total revenue and support	1,047,566	827,591
EXPENSES		
Program services	802,529	747,083
Management and general	205,538	162,429
Total expenses	1,008,067	909,512
CHANGE IN NET ASSETS	39,499	(81,921)
NET ASSETS, BEGINNING OF YEAR	128,525	210,446
NET ASSETS, END OF YEAR	$ 168,024	$ 128,525

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

FRIENDS OF CANAAN, INC.

d/b/a CANAAN COMMUNITY ACADEMY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 458,709	$ 83,347	$ 542,056	$ 429,253	$ 43,572	$ 472,825
Employee benefits	98,341	21,185	119,526	79,311	12,485	91,796
Professional services	63,491	44,955	108,446	61,341	57,134	118,475
Depreciation	22,934	-	22,934	65,776	-	65,776
Contracted transportation services	146	-	146	465	-	465
Classroom, kitchen, and office supplies	31,354	7,017	38,371	28,900	6,685	35,585
Food costs	29,414	-	29,414	23,957	-	23,957
Insurance	-	19,237	19,237	-	20,917	20,917
Occupancy	20,362	-	20,362	18,948	-	18,948
Authorizer oversight fees	-	16,294	16,294	-	13,356	13,356
Equipment	14,768	-	14,768	6,282	-	6,282
Property rental and maintenance	28,652	-	28,652	16,092	-	16,092
Staff development	22,995	-	22,995	11,040	-	11,040
Interest	-	559	559	-	2,018	2,018
Other	11,363	12,944	24,307	5,718	6,262	11,980
Total functional expenses	$ 802,529	$ 205,538	$ 1,008,067	$ 747,083	$ 162,429	$ 909,512

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

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 39,499	$ (81,921)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	22,934	65,776
Changes in certain assets and liabilities:		
Grants receivable	(12,709)	2,237
Prepaid expenses	2,045	(17,543)
Accounts payable and accrued expenses	(10,762)	20,254
Refundable advances	1,400	4,440
Net cash provided by (used in) operating activities	42,407	(6,757)
INVESTING ACTIVITIES		
Purchases of property and equipment	(7,992)	(13,128)
FINANCING ACTIVITIES		
Principal repayments of note payable	(12,956)	(47,029)
NET CHANGE IN CASH	21,459	(66,914)
CASH, BEGINNING OF YEAR	158,950	225,864
CASH, END OF YEAR	$ 180,409	$ 158,950
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 559	$ 2,018

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

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Friends of Canaan, Inc. d/b/a Canaan Community Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24. Enrollment during the 2017-2018 school year was 103 students in grades kindergarten through six. The School 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.

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.

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 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 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.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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 - 4 years
Textbooks	4 years
Vehicles	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Friends of Canaan, 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, 2018 and 2017, 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 ended after 2014 are open to audit for both federal and state purposes.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Subsequent Events – The School evaluated subsequent events through October 29, 2018, 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 - DONATED FACILITIES

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. Even though reporting donated facilities as items of revenue and expense is called for in certain circumstances, the Internal Revenue Service does not permit the inclusion of those amounts on the Form 990. The fair market value of in-kind contributions has not been determined for the years ended June 30, 2018 and 2017, and the fair market value of the premises are not reported in the accompanying financial statements. The School is responsible for all repairs, maintenance, utilities, and insurance. The lease term ends in March 2023.

NOTE 3 - RETIREMENT PLAN

The School offers retirement benefits to its employees through both 403(b) and 401(a) defined contribution retirement plans provided by MetLife. 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 $28,165 and $21,064 for the years ended June 30, 2018 and 2017, 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 payments received. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent. Payments under this agreement were $16,294 and $13,356 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 - NOTE PAYABLE

Note payable consisted of the following at June 30:

	2018	2017
Note payable to IFF, payable $1,125 monthly including interest at 4.75% per annum, maturing in October 2018, secured by property and equipment	$ 4,459	$ 17,415
Less: current portion	(4,459)	(12,956)
Long-term portion	$ -	$ 4,459

NOTE 6 - RISKS AND UNCERTAINTIES

The School provides education services to families residing in Jefferson 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, 2018 and 2017, substantially all of the accounts receivable balance was due from the State of Indiana.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

COMMUNITY MONTESSORI, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Community Montessori, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community Montessori, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Montessori, Inc. as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
October 25, 2018

COMMUNITY MONTESSORI, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,111,897	$ 2,639,763
Investments	503,780	503,965
Accounts receivable, net of allowance	13,585	19,608
Prepaid expenses	62,234	34,186
Total current assets	3,691,496	3,197,522
PROPERTY AND EQUIPMENT		
Land	150,296	150,296
Buildings and improvements	11,390,788	11,390,788
Furniture and equipment	115,540	175,982
Less: accumulated depreciation	(3,274,229)	(3,045,370)
Property and equipment, net	8,382,395	8,671,696
TOTAL ASSETS	$ 12,073,891	$ 11,869,218
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 252,799	$ 245,546
Accounts payable and accrued expenses	362,418	339,115
Refundable advance	-	28,374
Deferred revenue	151,663	202,201
Total current liabilities	766,880	815,236
LONG-TERM LIABILITIES		
Notes payable, net of current portion	5,557,543	5,810,314
Less: unamortized debt issuance costs	(49,234)	(51,836)
Total long-term liabilities, net of unamortized debt issuance costs	5,508,309	5,758,478
Total liabilities	6,275,189	6,573,714
NET ASSETS		
Unrestricted		
Undesignated	5,193,523	5,226,606
Board-designated net assets	500,000	-
Total unrestricted	5,693,523	5,226,606
Temporarily restricted	105,179	68,898
Total net assets	5,798,702	5,295,504
TOTAL LIABILITIES AND NET ASSETS	$ 12,073,891	$ 11,869,218

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

COMMUNITY MONTESSORI, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 3,490,146	$ -	$ 3,490,146	$ 3,489,510	$ -	$ 3,489,510
Program fees	643,093	-	643,093	542,483	-	542,483
Grant revenue	415,467	-	415,467	140,101	-	140,101
Student fees	148,062	-	148,062	139,910	-	139,910
Contributions	25,200	37,155	62,355	16,054	62,066	78,120
Fundraising	53,072	-	53,072	56,608	-	56,608
Investment gain (loss)	(185)	-	(185)	7,801	-	7,801
Other	29,643	-	29,643	26,005	-	26,005
Net assets released from restrictions	874	(874)	-	869	(869)	-
Total revenue and support	4,805,372	36,281	4,841,653	4,419,341	61,197	4,480,538
EXPENSES						
Program services	3,717,048	-	3,717,048	3,506,228	-	3,506,228
Management and general	584,499	-	584,499	606,195	-	606,195
Fundraising	36,908	-	36,908	51,618	-	51,618
Total expenses	4,338,455	-	4,338,455	4,164,041	-	4,164,041
CHANGE IN NET ASSETS	466,917	36,281	503,198	255,300	61,197	316,497
NET ASSETS, BEGINNING OF YEAR	5,226,606	68,898	5,295,504	4,971,306	7,701	4,979,007
NET ASSETS, END OF YEAR	$ 5,693,523	$ 105,179	$ 5,798,702	$ 5,226,606	$ 68,898	$ 5,295,504

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

COMMUNITY MONTESSORI, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES								
Salaries and wages	$ 2,182,178	$ 338,853	$ -	$ 2,521,031	$ 1,970,238	$ 356,760	$ -	$ 2,326,998
Employee benefits	476,131	58,350	-	534,481	430,791	62,950	-	493,741
Staff development and recruitment	28,550	-	-	28,550	37,941	-	-	37,941
Professional services	100,436	14,969	-	115,405	84,265	3,492	-	87,757
Program expenses	94,574	-	-	94,574	61,415	-	-	61,415
Authorizer oversight fees	-	85,739	-	85,739	-	82,731	-	82,731
Dues, licenses, and subscriptions	-	18,338	-	18,338	-	30,377	-	30,377
Advertising	-	831	-	831	-	1,310	-	1,310
Travel	-	2,955	-	2,955	-	2,926	-	2,926
Information technology	91,388	-	-	91,388	114,502	-	-	114,502
Minor equipment	22,827	-	-	22,827	25,699	-	-	25,699
Supplies	56,302	7,180	-	63,482	90,226	16,034	-	106,260
Occupancy	191,003	-	-	191,003	201,304	-	-	201,304
Depreciation	289,301	-	-	289,301	289,638	-	-	289,638
Amortization	2,602	-	-	2,602	205	-	-	205
Interest	181,756	-	-	181,756	200,004	-	-	200,004
Insurance	-	29,057	-	29,057	-	18,512	-	18,512
Fundraising	-	-	36,908	36,908	-	-	51,618	51,618
Other	-	28,227	-	28,227	-	31,103	-	31,103
Total functional expenses	$ 3,717,048	$ 584,499	$ 36,908	$ 4,338,455	$ 3,506,228	$ 606,195	$ 51,618	$ 4,164,041

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

COMMUNITY MONTESSORI, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 503,198	$ 316,497
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	289,301	289,638
Amortization	2,602	205
(Gain)/loss on investments	185	(7,801)
Change in certain assets and liabilities:		
Accounts receivable	6,023	(7,883)
Grants receivable	-	3,342
Prepaid expenses	(28,048)	(11,895)
Accounts payable and accrued expenses	23,303	69,824
Refundable advances	(28,374)	28,374
Deferred revenue	(50,538)	37,088
Net cash provided by operating activities	717,652	717,389
INVESTING ACTIVITIES		
Acquisition of investments	-	(269,282)
FINANCING ACTIVITIES		
Principal repayment of notes payable	(245,518)	(288,201)
Payment of debt issuance costs	-	(52,041)
Net cash used in financing activities	(245,518)	(340,242)
NET CHANGE IN CASH	472,134	107,864
CASH, BEGINNING OF YEAR	2,639,763	2,531,899
CASH, END OF YEAR	$ 3,111,897	$ 2,639,763

	2018	2017
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 181,756	$ 200,924

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Community Montessori, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School also provides an early childhood education program for children ages three and four on a fee basis. For 2017-2018 school year, the School served approximately 600 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.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.

- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Board-Designated Net Assets – The Board designated $500,000 of net assets at June 30, 2018 for purposes related to the expansion of the School. No net assets were designated by the Board as of June 30, 2017.

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 publicly funded 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.

Program fees and materials and supplies fees are paid by families based on the number of children enrolled, and are recognized in the academic school year to which the payments pertain.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions – Contributions 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 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

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. The accompanying financial statements reflect an allowance for doubtful accounts of $17,242 and $12,729 as of June 30, 2018 and 2017, respectively, 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 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 temporarily or permanently 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

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.

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 $2,807 and $205 as of June 30, 2018 and 2017, 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 – Community Montessori, 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 exempt purpose. For the years ended June 30, 2018 and 2017, 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 tax years ending after 2014 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through October 25, 2018, 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 - 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 non-operating loss of $1,477,941.

NOTE 2 - LEGISLATIVE FUNDING CHANGES, Continued

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 non-operating 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
	$	861,897

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, 2018. The School continues to carry a receivable of $1,477,941 relating to the funding reduction, offset by a collectability allowance in the same amount.

NOTE 3 - INVESTMENTS

The School held the following investments as of June 30:

		2018		**2017**
Corporate bonds	$	433,251	$	428,370
Equity securities and equity mutual funds:				
Industrials		2,510		1,663
Consumer discretionary		1,430		1,109
Consumer staples		4,040		4,989
Energy		2,599		1,663
Financial		3,984		3,881
Materials		782		2,217
Information technology		2,200		3,326
Utilities		2,062		2,217
Health care		3,746		3,881
Real estate		30,617		27,718
Telecommunication services		1,446		2,772
Money market funds		15,113		20,159
	$	503,780	$	503,965

NOTE 4 - REFUNDABLE ADVANCE

During the year ended June 30, 2017, the School was awarded a grant from the Lilly Foundation, Inc. for the purpose of establishing comprehensive counseling services for students. The terms of the grant required the funds to be utilized for their intended purpose prior to December 31, 2017, or be returned to the Lilly Foundation, Inc. The entire refundable advance balance of $28,374 was fully utilized prior to December 31, 2017 in accordance with the terms of the grant.

NOTE 5 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2018	2017
Note payable to German American Bancorp, payable $33,498 monthly, including interest at 2.99% per annum, maturing in July 2036	$ 5,590,367	$ 5,819,081
Note payable to German American Bancorp, payable $2,108 monthly, including interest at 3.88% per annum, maturing in July 2036	219,975	236,779
	5,810,342	6,055,860
Less: current portion	(252,799)	(245,546)
Long-term portion	$ 5,557,543	$ 5,810,314

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

2019	$ 252,799
2020	260,268
2021	268,882
2022	277,313
2023	286,010
Thereafter	4,465,070
	$ 5,810,342

NOTE 6 - RESTRICTED NET ASSETS

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

	2018	2017
Casa dei Curiosities capital project	$ 97,582	$ 60,562
Community activities	1,484	1,484
Scholarships	5,075	5,575
Teen support group	1,038	1,277
	$ 105,179	$ 68,898

During 2018 and 2017, net assets of $874 and $869, respectively, were released from restriction by incurring expenses satisfying the restricted purposes or due to the passage of time.

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 received. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent. Expense under this agreement was $85,739 and $82,731 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 - 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, 2018 and 2017 were $18,064 and $15,676, respectively. At June 30, 2018, there was $84 owed to this vendor. At June 30, 2017 there was no balance owed to this vendor.

NOTE 9 - 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, 2018 and 2017, the School contributed 7.5% 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, 2017 (the latest year reported), TRF was more than 80% funded.

NOTE 9 - RETIREMENT PLANS, Continued

All non-teaching 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 match an employee's contributions up to 3% of compensation, which can be higher based on years of service. Retirement plan expense under all plans was \$118,956 and \$112,605 for the years ended June 30, 2018 and 2017, respectively.

NOTE 10 - 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.

Like other publicly funded schools, the majority of revenues relate to legislation enacted by the State of Indiana or 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. In addition, deposits maintained at German American Bancorp generally exceed the FDIC insurance limit.

NOTE 11 - 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 Corporation 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.

NOTE 11 - FAIR VALUE MEASUREMENTS, Continued

The School's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- *Investments in corporate bonds* – considered Level 1 assets, and are reported at fair value based on quoted market prices in active markets for identical assets at the measurement date.
- *Investments in equity securities and equity mutual funds* – considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- *Investments in money market funds* – considered Level 2 assets, and are reported at fair value, which is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuers.

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. Accordingly, certain expenses have been allocated between program services, management and general, and fundraising expenses.

COMMUNITY MONTESSORI, INC.
OTHER REPORT
For the Year Ended June 30, 2018

The reports presented herein were prepared in addition to another official report prepared for the School is 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.

SUPPLEMENTAL AUDIT REPORT
OF
COMMUNITY MONTESSORI, INC.

FLOYD COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Nicole Yates	07/01/17 – 06/30/18
School Director	Barbara Burke Fondren	07/01/17 – 06/30/18
Administrative Finance	Kelly Coots	07/01/17 – 06/30/18

The Board of Directors
Community Montessori, Inc.

We have audited the financial statements of Community Montessori, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated October 25, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
October 25, 2018

www.cpadonovan.com
Westside Office | 5151 E. US Hwy 36, Avon, IN 46123 **|** 317.745.6411
Northside Office | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 **|** 317.844.8300

RECEIPTS AND DEPOSITS

We tested twenty-five cash receipts from the School's receipt books. Six of the receipts tested were not deposited timely.

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, Part 8)

VENDOR DISBURSEMENTS

We tested twenty-five vendor disbursements from the School's cash disbursements register. Three of the twenty-five disbursements tested had remittance for sales tax totaling $97.

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).

COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on October 25, 2018 with Barbara Burke Fondren (School Director) and Kelly Coots (Administrative Finance). The Official Response has been made a part of this report and may be found on page 5.

community montessori
EDUCATION FROM WITHIN
4102 St. Joseph Road New Albany Indiana 47150 812.948.1000 phone www.shiningminds.com

10-25-2018

Community Montessori Response to Audit.

Community Montessori takes our fiduciary responsibility very seriously. We will continue to work toward 100% compliance.

Timely deposits

We collect very little cash at Community Montessori. We have moved to using mostly credit cards for online payments for the majority of our activities. Therefore, we need to be more conscience of ensuring the process for collecting money is turned in daily. The money will be logged daily by the Curved Desk Support person and totaled. It is then given to Finance Services daily to be deposited when received or at least in intervals of Wednesdays or Fridays.

Although the total of those receipts were only $120.00, we have re-iterated the process with all staff that receipt funds to ensure better implementation.

Vendor Disbursements

As a tax exempt organization, we do not reimburse or pay taxes collected on products purchased. There was three times that tax was collected and reimbursed/disbursed. 2 of the 3 disbursements were staff reimbursements where we missed the tax collected on the receipt. We have heightened our review of reimbursements to further ensure tax is not reimbursed and there are two people that check this process.

The other sales tax item was on a purchase made through our Parent Involvement Partnership. We have reviewed that process to ensure taxes are not disbursed in the future.

Although the total of those taxes were under $100.00, we have put measures in place to reduce any errors in the future.

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Duneland Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Duneland Charter School, Inc. d/b/a Discovery Charter School, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duneland Charter School, Inc. d/b/a Discovery Charter School as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

November 16, 2018
Indianapolis, Indiana

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 556,654	$ 438,249
Grants receivable	5,165	28,708
Prepaid expenses	31,589	24,992
Total current assets	593,408	491,949
PROPERTY AND EQUIPMENT		
Land	408,188	408,188
Buildings and improvements	5,918,450	5,843,591
Furniture and equipment	1,135,483	943,328
Textbooks	94,956	94,956
Less: accumulated depreciation	(1,200,626)	(918,726)
Property and equipment, net	6,356,451	6,371,337
OTHER ASSETS		
Cash - restricted for debt service	629,752	690,067
Cash - restricted for construction	5,553	233,707
Security deposits	12,990	12,990
Total other assets	648,295	936,764
TOTAL ASSETS	$ 7,598,154	$ 7,800,050
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 117,500	$ 117,500
Accounts payable and accrued expenses	244,852	218,251
Total current liabilities	362,352	335,751
LONG-TERM LIABILITIES		
Notes payable, net of current portion	7,351,250	7,468,750
Less: unamortized debt issuance cost	(331,890)	(343,959)
Total long-term liabilities, net of unamortized debt issuance costs	7,019,360	7,124,791
Total liabilities	7,381,712	7,460,542
NET ASSETS, UNRESTRICTED	216,442	339,508
TOTAL LIABILITIES AND NET ASSETS	$ 7,598,154	$ 7,800,050

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

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 3,179,112	$ 2,927,238
Grant revenue	537,371	568,726
Student fees	211,908	211,821
Contributions	59,684	57,722
Interest income	947	1,692
Other income	9,093	11,030
Total revenue and support	3,998,115	3,778,229
EXPENSES		
Program services	3,000,089	2,876,206
Management and general	1,121,092	1,025,930
Total expenses	4,121,181	3,902,136
CHANGE IN NET ASSETS	(123,066)	(123,907)
NET ASSETS, BEGINNING OF YEAR	339,508	463,415
NET ASSETS, END OF YEAR	$ 216,442	$ 339,508

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,574,073	$ 286,712	$ 1,860,785	$ 1,519,230	$ 262,049	$ 1,781,279
Employee benefits	415,437	70,463	485,900	438,106	71,535	509,641
Staff development	7,281	-	7,281	7,384	-	7,384
Professional services	128,996	6,599	135,595	93,189	17,142	110,331
Repairs and maintenance	53,657	-	53,657	41,677	-	41,677
Authorizer oversight fees	-	84,315	84,315	-	78,152	78,152
Academic services	-	75,000	75,000	-	64,000	64,000
Food services	136,133	-	136,133	131,907	-	131,907
Transportation services	99,728	-	99,728	81,221	-	81,221
Travel	11,086	-	11,086	2,420	-	2,420
Equipment	21,819	8,347	30,166	24,428	7,493	31,921
Classroom, kitchen, and office supplies	81,825	23,397	105,222	90,673	30,809	121,482
Occupancy	95,273	-	95,273	91,262	-	91,262
Information technology	78,542	19,377	97,919	84,588	17,188	101,776
Depreciation	281,900	-	281,900	258,052	-	258,052
Amortization	12,069	-	12,069	12,069	-	12,069
Interest	152	508,080	508,232	-	451,690	451,690
Insurance	-	18,072	18,072	-	16,263	16,263
Other	2,118	20,730	22,848	-	9,609	9,609
Total functional expenses	$ 3,000,089	$ 1,121,092	$ 4,121,181	$ 2,876,206	$ 1,025,930	$ 3,902,136

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

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (123,066)	$ (123,907)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	281,900	258,052
Amortization	12,069	12,069
Changes in certain assets and liabilities:		
Grants receivable	23,543	(15,635)
Prepaid expenses	(6,597)	(2,485)
Accounts payable and accrued expenses	26,601	25,609
Net cash provided by operating activities	214,450	153,703
INVESTING ACTIVITIES		
Purchases of property and equipment	(267,014)	(2,201,809)
FINANCING ACTIVITIES		
Principal payments on notes payable	(117,500)	(58,750)
(Increase)/decrease in cash restricted for debt service	60,315	(10,806)
Decrease in cash restricted for construction	228,154	1,919,638
Net cash provided by financing activities	170,969	1,850,082
NET CHANGE IN CASH	118,405	(198,024)
CASH, BEGINNING OF YEAR	438,249	636,273
CASH, END OF YEAR	$ 556,654	$ 438,249
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 482,582	$ 477,340

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Duneland Charter School, Inc. d/b/a Discovery Charter School (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 520 students in grades kindergarten through eight 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.

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.

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.

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 generally 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 - 39 years
Furniture and equipment	3 - 7 years
Textbooks	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The School 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, 2018 and 2017, 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 ended after 2014 are open to audit for both federal and state purposes.

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, 2018 and 2017 was $30,172 and $18,103, respectively. Amortization expense was $12,069 for both years ended June 30, 2018 and 2017. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs is presented as a direct deduction from the carrying amount of the related debt liability.

Subsequent Events – The School evaluated subsequent events through November 16, 2018, 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. No such events were noted.

NOTE 2 - RESTRICTED CASH

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. Of the total balance, approximately $600,000 is to be held until all bond debt is paid.

Cash - restricted for construction represents resources available for the building project and are drawn down as construction is completed.

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2018	2017
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	998,750	1,116,250
	7,468,750	7,586,250
Less: current portion	(117,500)	(117,500)
Long-term portion	$ 7,351,250	$ 7,468,750

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain covenants requiring minimum unrestricted cash reserves sufficient to meet 30 days of operating expenses and establishes a minimum debt service coverage ratio of 1.10 to 1. The School was in compliance with covenants for 2018 and 2017.

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

2019	$ 117,500
2020	117,500
2021	117,500
2022	117,500
2023	117,500
Thereafter	6,881,250
	$ 7,468,750

NOTE 4 - 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 year ended June 30, 2018, the School contributed 7.5% 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, 2017 (the latest year reported), TRF and PERF were more than 80% funded. Retirement plan expenses totaled $203,082 and $142,199 during the years ended June 30, 2018 and 2017, 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.

NOTE 5 - 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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

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 $84,315 and $78,152 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2020, and is renewable thereafter by mutual consent.

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.

NOTE 7 - RISKS AND UNCERTAINTIES, Continued

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, 2018 and 2017, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained at Chase Bank and Huntington Bank, and are insured up to the FDIC insurance limit.

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
OTHER REPORT
For the Year Ended June 30, 2018

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

Supplemental Audit Report of Duneland Charter School, Inc.
d/b/a 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*.

SUPPLEMENTAL AUDIT REPORT

OF

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

PORTER COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

PORTER COUNTY, INDIANA

School Officials

July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Laurie Metz	07/01/17 – 06/30/18
School Director	Ernesto Martinez	07/01/17 – 06/30/18
School Treasurer	William Schmuhl	07/01/17 – 06/30/18

The Board of Directors
Duneland Charter School, Inc.

We have audited the financial statements of Duneland Charter School, Inc. d/b/a Discovery Charter School (the “School”) as of and for the year ended June 30, 2018 and have issued our report thereon dated November 16, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 16, 2018

FINANCIAL REPORTING

Our examination of the semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2017 to June 30, 2018 revealed that the June 30, 2018 cash balance did not reflect the balance as reported on the School's books and records. The balance reported on Form 9 was $1,210,116 while cash per the financial statements was $1,191,959. In addition, fund 800 had negative balance, of which $11,833 was not the result of awaiting reimbursement on a reimbursement grant.

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. The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

The charter school's accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with School personnel, we determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

PORTER COUNTY, INDIANA

Exit Conference

July 01, 2017 to June 30, 2018

The contents of this report were discussed on November 16, 2018 with Ernesto Martinez (School Director), Allan Gabriele (School Treasurer), Bill Schmuhl (Board Treasurer), and Julie Tegt (Board Secretary). The Official Response has been made a part of this report and may be found on page 5.

RESPONSE TO SUPPLEMENTAL AUDIT
OF
DUNELAND CHARTER SCHOOL, INC.
DBA DISCOVERY CHARTER SCHOOL

July 1, 2017 to June 30, 2018

The Supplemental Audit report for Discovery Charter School for our year ended June 30, 2018 contained results and comments in two areas: Financial Reporting and Minimum Internal Control Standards.

The financial reporting finding noted a discrepancy between cash balance as reported on Form 9 for the six months ended June 30, 2108 and the financial statements for the year then ended of approximately $18,157. This was the result of a balance sheet account which we label Interest Offset inappropriately being included in the Form 9 cash balance. This has been corrected and will not affect future Form 9. In addition, the negative balance in fund 800, the School Lunch Fund, in the amount of $11,883 is the result of an inaccurate posting of a loan payment that was due to our food service provider. It has since been properly reflected.

The minimum internal control requirements required by Indiana Law as set forth in IC 5-11-1-27(g) will be met and the appropriate training implemented as required by statute.

Allan Gabriele
Business Manager, Discovery Charter School

November 19, 2018

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan
CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
East Chicago Urban Enterprise Academy, Inc.

Report on the Financial Statements

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, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Chicago Urban Enterprise Academy, Inc. as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 14, 2018

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 185,726	$ 344,128
Grants receivable	32,906	38,365
Prepaid expenses	19,989	-
Total current assets	238,621	382,493
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,408,538	2,356,038
Furniture and equipment	194,366	653,470
Less: accumulated depreciation	(937,313)	(1,313,724)
Property and equipment, net	1,665,591	1,695,784
OTHER ASSETS		
Security deposit	7,803	7,803
TOTAL ASSETS	$ 1,912,015	$ 2,086,080
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 224,567	$ 217,231
Accounts payable and accrued expenses	290,540	231,996
Total current liabilities	515,107	449,227
LONG-TERM LIABILITIES		
Notes payable, net of current portion	864,935	1,089,001
Total liabilities	1,380,042	1,538,228
NET ASSETS, UNRESTRICTED		
Undesignated	(44,116)	158,300
Invested in property and equipment, net of notes payable	576,089	389,552
Total net assets, unrestricted	531,973	547,852
TOTAL LIABILITIES AND NET ASSETS	$ 1,912,015	$ 2,086,080

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 3,004,927	$ 3,026,997
Grant revenue	917,154	884,499
Student fees	33,877	36,425
Program fees	-	10,725
Contributions	662	6,682
Other income	29,298	12,504
Total revenue and support	3,985,918	3,977,832
EXPENSES		
Program services	3,120,166	3,056,222
Management and general	881,631	876,919
Total expenses	4,001,797	3,933,141
CHANGE IN NET ASSETS	(15,879)	44,691
NET ASSETS, BEGINNING OF YEAR	547,852	503,161
NET ASSETS, END OF YEAR	$ 531,973	$ 547,852

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,400,588	$ 199,701	$ 1,600,289	$ 1,288,207	$ 190,640	$ 1,478,847
Employee benefits	397,067	57,956	455,023	337,805	42,856	380,661
Professional services	147,337	27,928	175,265	201,287	41,165	242,452
Depreciation	117,551	-	117,551	85,292	-	85,292
Classroom, kitchen, and office supplies	160,152	30,400	190,552	161,402	24,475	185,877
Food costs	196,496	-	196,496	223,572	-	223,572
Insurance	-	21,721	21,721	-	27,494	27,494
Occupancy	482,980	7,430	490,410	431,643	1,397	433,040
Authorizer oversight fees	-	66,440	66,440	-	65,442	65,442
Academic services	-	393,774	393,774	-	399,788	399,788
Equipment	58,618	7,421	66,039	55,657	9,764	65,421
Property rental and maintenance	44,710	184	44,894	39,864	158	40,022
Instruction services	12,007	-	12,007	170,237	-	170,237
Interest	-	44,924	44,924	-	49,506	49,506
Advertising	-	3,382	3,382	-	1,661	1,661
Travel	25,578	1,608	27,186	19,860	2,918	22,778
Information technology	43,999	-	43,999	6,164	1,600	7,764
Other	33,083	18,762	51,845	35,232	18,055	53,287
Total functional expenses	$ 3,120,166	$ 881,631	$ 4,001,797	$ 3,056,222	$ 876,919	$ 3,933,141

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (15,879)	$ 44,691
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	117,551	85,292
Change in certain assets and liabilities:		
Grants receivable	5,459	543
Prepaid expenses	(19,989)	-
Accounts payable and accrued expenses	58,544	62,753
Net cash provided by operating activities	145,686	193,279
INVESTING ACTIVITIES		
Purchases of property and equipment	(87,358)	(24,666)
FINANCING ACTIVITIES		
Principal payments on notes payable	(216,730)	(211,656)
NET CHANGE IN CASH	(158,402)	(43,043)
CASH, BEGINNING OF YEAR	344,128	387,171
CASH, END OF YEAR	$ 185,726	$ 344,128
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 44,924	$ 49,506

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – East Chicago Urban Enterprise Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 420 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 equal monthly installments in January through December following the start of the 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.

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 – 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, 2018 and 2017, 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. Tax years ended after 2014 are open to audit for both federal and state purposes.

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. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Through June 30, 2017, routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 were charged to expense as incurred. Effective July 1, 2017, the School changed its property and equipment accounting policy in order to more accurately reflect the pattern of usage and expected benefits from the assets, as follows:

Asset Category	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	$25,000	15 to 39 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	

As a result of implementing the above property and equipment accounting policy, the School wrote off a total of $495,308 of asset costs and accumulated depreciation pertaining to assets that were fully-depreciated, inactive, and/or did not meet the criteria for capitalization.

Subsequent Events – The School evaluated subsequent events through December 14, 2018, 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.

Reclassifications – Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

NOTE 2 - GOING CONCERN CONSIDERATIONS

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As of June 30, 2018, the School's current liabilities are greater than current assets by approximately $276,000, and undesignated net assets were in a deficit position of approximately $44,000. The School also suffered a negative change in net assets during the year ended June 30, 2018 of approximately $16,000 and incurred a net cash outflow of approximately $158,000. Approximately $88,000 of this cash outflow was for capital expenditures aimed at increasing instructional technology in the building and improving the grounds. If this trend continues, these factors could raise doubt about the School's ability to continue as a going concern.

NOTE 2 - GOING CONCERN CONSIDERATIONS. Continued

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 School has focused its efforts on enrollment, which resulted in a slight increase during the fall 2019 semester compared to the spring 2018 semester. The School has also worked with its management company to develop a budget for fiscal year 2019 that will allow the School to meet its current and upcoming obligations and strengthen its net asset position. This budget includes revenue from additional funding sources as a result of the School's focused efforts on identifying and securing additional grant opportunities.

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2018	2017
Line of credit agreement, payable in monthly installments of $11,267 including interest at 1.0% per annum through July 2020, secured by all School assets	$ 272,905	$ 404,663
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 1-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.	816,597	901,569
	1,089,502	1,306,232
Less: current maturities	(224,567)	(217,231)
Long-term portion	$ 864,935	$ 1,089,001

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

2019	$ 224,567
2020	230,590
2021	106,014
2022	104,756
2023	108,669
Thereafter	314,906
Total	$ 1,089,502

NOTE 4 - LEASES

The School leases its building from a related party, and modular classrooms and equipment from unrelated parties, all under operating leases. Total expense under these operating leases was \$240,096 and \$235,767 for June 30, 2018 and 2017, respectively.

Future minimum rental payments as of June 30, 2018 for all operating leases with initial, non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2019	$	253,132
2020		95,940
2021		12,068
2022		1,437

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. 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, 2017 (the latest year reported), TRF was more than 80% funded.

Retirement plan expense was \$135,333 and \$109,138 for the years ended June 30, 2018 and 2017, 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 3% of state tuition support received. Payments under this charter agreement were \$66,440 and \$65,442 for the years ended June 30, 2018 and 2017, respectively. The charter will remain in effect until June 30, 2021 and is renewable thereafter by mutual consent.

NOTE 6 - COMMITMENTS, Continued

The School has also 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 expires June 30, 2019. Payments under this contract were $393,774 and $399,788 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - 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. 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, 2018 and 2017, 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 FDIC insurance limit.

NOTE 8 - 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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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.*

SUPPLEMENTAL AUDIT REPORT

OF

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
Chairman of Board of Directors	David Padilla	07/01/17 – 06/30/18
School Leader	Veronica Eskew	07/01/17 – 06/30/18
School Treasurer	Melinda Benkovsky	07/01/17 – 06/30/18

To the Board of Directors
East Chicago Urban Enterprise Academy, Inc.

We have audited the financial statements of East Chicago Urban Enterprise Academy, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated December 14, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 14, 2018

www.cpadonovan.com
Westside Office | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411
Northside Office | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

RECORD RETENTION

We were unable to conduct testing related to compliance with the provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts due to the lack of records and documentation of business and financial transactions. The following documents were requested during the audit, but were unable to be provided by the School:

1. Copy of School Fund Authority (SFA) Verification Collection Report
2. Copy of monthly meal claim selected for testing

Charter school administrators must be cognizant of their duties of care, loyalty, and obedience. The duty of care requires administrators to be familiar with charter school's finances and activities and to participate regularly in its operations. Duty of loyalty requires that any conflict of interest, real or possible, always be disclosed in advance of being employed and when they arise. A charter school had the duty to insure that the school complies with applicable laws and regulations and its internal policies and procedures. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CASH RECEIPTS AND DEPOSITS

The School receives cash payments for various purposes, including uniforms, fundraisers, and student fees. Procedures were in place to process cash collections, however, out of the 25 receipts selected for testing, 23 were not deposited in a timely manner.

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, Part 8)

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 14, 2018 with Ms. Veronica Eskew (School Leader), Mr. John Artis (Chairman of Board of Directors), Melinda Benkovsky and Renee Lindemann (Leaona Group). The Official Response has been made a part of this report and may be found on page 5.

REQUIRED REPORTS

Finding:
We were unable to conduct testing related to compliance with the provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts due to the lack of records and documentation of business and financial transactions. The following documents were requested during the audit, but were unable to be provided by the School:

1. Copy of School Fund Authority (SFA) Verification Collection Report
2. Copy of monthly meal claim selected for testing

Charter school administrators must be cognizant of their duties of care, loyalty, and obedience. The duty of care requires administrators to be familiar with charter school's finances and activities and to participate regularly in its operations. Duty of loyalty requires that any conflict of interest, real or possible, always be disclosed in advance of being employed and when they arise. A charter school had the duty to insure that the school complies with applicable laws and regulations and its internal policies and procedures. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

School Response:
East Chicago Urban Enterprise Academy will seek guidance on implementing protocol for completing the School Fund Authority Verification Collection Report. Going forward, the Academy and management will maintain copies of monthly meal claims for records retention.

CASH RECEIPTS AND DEPOSITS

Finding:
The School receives cash payments for various purposes, including uniforms, fundraisers, and student fees. Procedures were in place to process cash collections, however, out of the 25 receipts selected for testing, 23 were not deposited timely.
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, Part 8)

School Response:
East Chicago Urban Enterprise Academy will abide by the Accounting and Uniform Compliance Guideline Manual for Indiana Charter Schools, Part 8, and shall deposit all funds received in the designated depository in a timely manner.

Sincerely,

John Artis, Board of Directors

12/18/18
Date

DR. ROBERT H. FAULKNER ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Dr. Robert H. Faulkner Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Dr. Robert H. Faulkner Academy, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

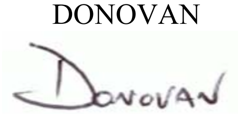
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Robert H. Faulkner Academy, Inc. as of June 30, 2018 and 2017 and the change 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.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 2 to the financial statements, the School has experienced a significant decline in enrollment revenue during the year ended June 30, 2018, while expenses remained relatively consistent. This resulted in a negative change in net assets of approximately $227,000 which reduced net assets from approximately $257,000 as of June 30, 2017 to $30,000 as of June 30, 2018. Additionally, the School incurred negative cash flows from operations during the year ended June 30, 2018 of approximately $245,000, and has negative working capital as of June 30, 2018. These factors combined raise substantial doubt about the School's ability to continue as a going concern. Management's intentions with respect to this matter are also described in Note 2. The accompanying 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.

DONOVAN



October 4, 2018
Indianapolis, Indiana

DR. ROBERT H. FAULKNER ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 48,514	$ 293,874
Grants receivable	23,599	9,966
Prepaid expenses	9,839	9,239
Total current assets	81,952	313,079
PROPERTY AND EQUIPMENT		
Furniture and equipment	369,589	369,589
Textbooks	194,752	194,752
Leasehold improvements	24,341	24,341
Less: accumulated depreciation	(552,799)	(528,564)
Property and equipment, net	35,883	60,118
TOTAL ASSETS	$ 117,835	$ 373,197
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 87,518	$ 116,012
NET ASSETS - UNRESTRICTED		
Undesignated	(5,566)	197,067
Invested in property and equipment	35,883	60,118
Total net assets	30,317	257,185
TOTAL LIABILITIES AND NET ASSETS	$ 117,835	$ 373,197

DR. ROBERT H. FAULKNER ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 598,995	$ 783,505
Grant revenue	240,559	243,369
Student fees	8,117	8,551
Contributions	54	2,900
Other income	616	181
Total revenue and support	848,341	1,038,506
EXPENSES		
Program services	804,418	830,633
Management and general	270,791	278,224
Total expenses	1,075,209	1,108,857
CHANGE IN NET ASSETS	(226,868)	(70,351)
NET ASSETS, BEGINNING OF YEAR	257,185	327,536
NET ASSETS, END OF YEAR	$ 30,317	$ 257,185

DR. ROBERT H. FAULKNER ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 369,547	$ 127,709	$ 497,256	$ 394,435	$ 140,984	$ 535,419
Employee benefits	100,719	26,492	127,211	109,932	26,266	136,198
Occupancy	125,583	-	125,583	126,309	-	126,309
Professional services	49,433	61,815	111,248	27,923	63,755	91,678
Technology	57,692	11,300	68,992	31,385	-	31,385
Food costs	51,345	-	51,345	67,258	-	67,258
Depreciation	24,235	-	24,235	39,283	-	39,283
Classroom, kitchen, and office supplies	7,808	5,658	13,466	14,093	7,640	21,733
Authorizer oversight fee	-	13,446	13,446	-	17,706	17,706
Administative service fee	-	11,980	11,980	-	15,670	15,670
Other	-	9,561	9,561	-	6,203	6,203
Staff development	9,046	-	9,046	8,777	-	8,777
Repairs and maintenance	9,010	-	9,010	11,238	-	11,238
Insurance	-	2,830	2,830	-	-	-
Total functional expenses	$ 804,418	$ 270,791	$ 1,075,209	$ 830,633	$ 278,224	$ 1,108,857

DR. ROBERT H. FAULKNER ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (226,868)	$ (70,351)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	24,235	39,283
Changes in certain assets and liabilities:		
Grants receivable	(13,633)	6,212
Prepaid expenses	(600)	53
Accounts payable and accrued expenses	(28,494)	(38,297)
Refundable advances	-	(4,453)
CHANGE IN CASH	(245,360)	(67,553)
CASH, BEGINNING OF YEAR	293,874	361,427
CASH, END OF YEAR	$ 48,514	$ 293,874

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Dr. Robert H. Faulkner Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School has contracted The Leona Group, LLC to provide management and administrative services. During the year ended June 30, 2018, the School served 85 students in grades kindergarten through sixth.

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

Revenue Recognition – Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by 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 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.

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants 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.

Taxes on Income – Dr. Robert H. Faulkner 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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

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 $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:

Furniture and equipment	3 to 4 years
Textbooks	4 years
Leasehold improvements	5 years

Subsequent Events – The School evaluated subsequent events through October 4, 2018, 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

The School experienced a decrease in its student population during the year ended June 30, 2018, which was the primary cause of an overall decrease in revenue of approximately $187,000 compared to the year ended June 30, 2017. Despite the significant decrease in revenue, expenses decreased only approximately $34,000 compared to the year ended June 30, 2017. These factors combined to cause a negative change in net assets and a decrease in cash of approximately $227,000 and $245,000, respectively. These factors raise substantial doubt about the School's ability to continue as a going concern.

The School's management has started addressing these concerns by conducting a thorough review of its enrollment process. During the subsequent year, the School has realized a slight increase in student enrollment compared to the year ended June 30, 2018. In addition to improving the School's enrollment, management has focused its efforts on identify and securing additional grant opportunities.

The School anticipates continuing as a going concern for the foreseeable future.

NOTE 3 - LEASES

The School entered into leases for its school facility as well as certain items of office equipment under operating leases for terms from four to five years. The lease has been extended to August 2023. Expense under operating leases was $107,852 and $107,307 for the years ended June 30, 2018 and 2017, 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:

2019	$ 105,596
2020	102,000
2021	102,000
2022	102,000
2023	17,000

NOTE 4 - RETIREMENT PLANS

All School personnel are employees of The Leona Group, LLC, which provides management services to the School. School personnel are eligible to participate in The Leona Group, LLC Section 401(k) Plan. Under the plan, the School matches employee contributions dollar for dollar up to 6% of base compensation. Substantially all full-time employees are eligible to participate. Retirement plan expense was $7,785 and $7,095 for the years ended June 30, 2018 and 2017, 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 received. Expense under this charter agreement was $13,446 and $17,706 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2023 and is renewable thereafter by mutual consent.

The School has contracted with The Leona Group, LLC to provide ongoing consulting services with regard to school administration and management, training, and grant writing. Under the terms of the agreement, the School has agreed to pay an amount equal to 2% of state education support revenue, as defined, for these services. Such fees were $11,980 and $15,670 for the years ended June 30, 2018 and 2017, respectively. Additionally, the School has also contracted with The Leona Group, LLC to provide employee leasing services. Under the terms of the agreement, the School has agreed to pay an amount equal to 4% of state education support revenues, as defined, for this service. Such fees were $23,960 and $31,340 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Grant 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, 2018 and 2017, substantially all of the receivable balance was due from the State of Indiana. Cash deposits are maintained at STAR Financial Bank and are insured up to the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general.

DR. ROBERT H. FAULKNER ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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

Supplemental Audit Report of Dr. Robert H. Faulkner 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.*

SUPPLEMENTAL AUDIT REPORT

OF

DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

DR. ROBERT H. FAULKNER ACADEMY, INC.
GRANT COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Jeanne Goble	07/01/17 – 06/30/18
School Director	Janice Adams	07/01/17 – 06/30/18
School Treasurer	Arthur Faulkner	07/01/17 – 06/30/18

The Board of Directors
Dr. Robert H. Faulkner Academy, Inc.

We have audited the financial statements of Dr. Robert H. Faulkner Academy, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated October 4, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
October 4, 2018

RECEIPTS AND DEPOSITS

We tested a sample of twenty-five receipts and deposits. From the items tested, the School was unable to provide documentation to allow tracing of the receipt to a deposit for three transactions.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with School personnel, we determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

DR. ROBERT H. FAULKNER ACADEMY, INC.
GRANT COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on October 3, 2018 with Janice Adams (School Director), Jeanne Goble (President of Board of Directors), and Jim Henry (Food Service Director). The Official Response has been made a part of this report and may be found on page 5.

DR. ROBERT H. FAULKNER ACADEMY

"Stop ◆ Think ◆ Achieve"

To Whom It May Concern,

Dr. Robert H. Faulkner Academy has developed a system that ensures that all receipt and deposit transactions are recorded immediately to address the concerns during the State Board Audit.

Compliance with the State Board of Accounts (IC 5-11-1-27(g)) was satisfied. Janice Adams, the School Leader of Robert H Faulkner Academy, viewed the training (https://www.in.gov/sboa/5072.htm) for the 2017-2018 school year. However, the certification form found at: (https://www.in.gov/sboa/files/IC_Certification.pdf) was not printed and dated.

Going forward in order to correct this error, Janice Adams, School Leader and Jimmy Henry, Business Manager of Robert H. Faulkner Academy will both review the video and sign the certification form for the 2018-2019 school year and each year thereafter until such time as these positions are replaced by others.

1111 West 2nd Street, Marion, IN 46952 • Phone 765.662.9910 • Fax 765.662.9918

GARY MIDDLE COLLEGE, INC.

FINANCIAL STATEMENTS
June 30, 2018 and 2017

GARY MIDDLE COLLEGE, INC.

FINANCIAL STATEMENTS
June 30, 2018 and 2017

CONTENTS

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gary Middle College, Inc.
Gary, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Gary Middle College, Inc. (the School), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gary Middle College, Inc. as of June 30, 2018 and 2017, 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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 29, 2019

GARY MIDDLE COLLEGE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 351,016	$ 233,792
Grants receivable	38,741	79,099
Prepaid expenses	20,625	19,167
Due from related parties	47,214	-
Property and equipment, net	546,719	478,555
Total assets	$ 1,004,315	$ 810,613
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 83,595	$ 110,385
Due to related parties	7,237	14,462
Note payable	170,000	190,000
Total liabilities	260,832	314,847
NET ASSETS		
Unrestricted	743,483	495,766
Total liabilities and net assets	$ 1,004,315	$ 810,613

See accompanying notes to financial statements.

GARY MIDDLE COLLEGE, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 and 2017

	2018	2017
Public support and revenues		
Federal grants	$ 136,690	$ 90,410
State and local grants	1,760,615	1,679,384
Supporting services	8,474	-
Total revenue and support	1,905,779	1,769,794
Expenses		
Federal grant funded program activities	132,498	90,410
State and local grant funded program activities	910,072	948,810
School operations and building services	385,154	490,811
Education supporting services	226,397	163,213
Administrative	3,941	2,798
Total expenses	1,658,062	1,696,042
Change in net assets	247,717	73,752
Net assets, beginning of year	495,766	422,014
Net assets, end of year	$ 743,483	$ 495,766

See accompanying notes to financial statements.

GARY MIDDLE COLLEGE, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 247,717	$ 73,752
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	121,606	127,431
Change in assets and liabilities		
Grants receivable	40,358	(24,599)
Prepaid expenses	(1,458)	(7,960)
Due to/from related parties	(54,439)	(24,345)
Accounts payable and other accrued expenses	(26,790)	23,488
Net cash from operating activities	326,994	167,767
Cash flows from investing activities		
Purchases of property and equipment	(189,770)	(251,433)
Net cash from investing activities	(189,770)	(251,433)
Cash flows from financing activities		
Payments on note payable	(20,000)	(10,000)
Net cash from financing activities	(20,000)	(10,000)
Net change in cash and cash equivalents	117,224	(93,666)
Cash and cash equivalents, beginning of year	233,792	327,458
Cash and cash equivalents, end of year	$ 351,016	$ 233,792
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,850	$ 2,055

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: Gary Middle College, Inc. (the School) is a nonprofit corporation established to operate a charter school. The School is dedicated to ensure that all students are armed with the skills and tools they will need to not only receive a high school diploma, but also to excel at the collegiate level.

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, 2018 and 2017.

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 consist 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 instruments, if any, purchased with a maturity of three months or less to be cash equivalents.

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

Allowances: No allowance for doubtful accounts is recorded as of June, 30, 2018 and 2017. The 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.

(Continued)

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:

Property and equipment	3-7 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, 2018 and 2017, management believes that no impairment exists.

Fair Value of Financial Instruments: The carrying value of all the School's financial instruments, which include cash and cash equivalents, accounts payable and note payable, approximate fair values. Grants receivable are not readily marketable. The School has estimated their fair value to be the carrying value.

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

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the School. The unrestricted net assets of the School may be used at the discretion of management to support the School's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset 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 School had no temporarily restricted net assets as of June 30, 2018 and 2017.

Permanently Restricted Net Assets – The permanently restricted net asset class 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 permanently restricted net assets as of June 30, 2018 and 2017.

Federal and State Grants: Support funded by grants is recognized as the School performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the School's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. This includes the School's basic grant support from the State which is based on per-pupil funding. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically, identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel. Total program expenses were $1,333,825 and $1,374,532, respectively, for the years ended June 30, 2018 and 2017. Total management and general expenses were $324,237 and $321,510, respectively, for the years ended June 30, 2018 and 2017. The School did not incur any fundraising expenses during either year.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising: The School expenses advertising costs as incurred. During 2018 and 2017, expenses totaling $11,867 and $35,774, were incurred for advertising.

Recent Accounting Guidance: In August 2016, the FASB issued ASU 2016-14 Non-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The guidance in this ASU substantially changes the financial statement presentation and disclosure requirements of not-for-profit entities to provide more relevant information about their financial resources, liquidity and changes to those financial resources. These changes include qualitative and quantitative requirements in the presentation and disclosure of net asset classes, investment return, expenses, liquidity and availability of resources, and operating cash flows. The ASU will be effective for School's fiscal year ending June 30, 2019. The School is currently assessing the impact of ASU 2016-14 on its financial statements.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2018, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2018. Management has performed their analysis through January 29, 2019, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, the carrying value of furniture, equipment, and textbooks consists of the following:

	2018	2017
Property and equipment	$ 1,021,043	$ 884,565
Less: accumulated depreciation	(474,324)	(406,010)
	$ 546,719	$ 478,555

Depreciation expense for the years ended June 30, 2018 and 2017 were $121,606 and $127,431, respectively.

NOTE 3 - LEASES

The School leased space from 21st Century Charter Schools @ Gary, Inc., a related entity, though September 2016. In October 2016, the School moved to a new location entering into a five-year lease agreement with an external party through 2022. The original five-year lease term includes subsequent renewal options. Rent expense totaled $52,757 and $132,441 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under operating leases at June 30, 2018, are as follows:

2019	$ 48,023
2020	61,690
2021	61,690
2022	21,120
	$ 192,523

(Continued)

NOTE 4 - NOTE PAYABLE

Note payable consisted of the following at June 30:

	2018	2017
Note payable to State of Indiana Treasurer to support school operations, payable semi-annually beginning January 2017, plus interest computed at 1.00%, through maturity in August 2026.	$ 170,000	$ 190,000

The estimated future principal payments due on the note payable are:

2019	$ 20,000
2020	20,000
2021	20,000
2022	20,000
2023	20,000
Thereafter	70,000
	$ 170,000

Interest expense during the years ending June 30, 2018 and 2017 was $1,767 and $1,950, respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS

The School has a management agreement with the Greater Education Opportunities Foundation, Inc., (GEOF). Under the management agreement, GEOF charges administrative and per student fees in exchange for the management, operation, administration, payroll and accounting services provided. During the years ended June 30, 2018 and 2017, the School paid GEOF fees of $226,397 and $163,213, respectively. As part of the management services provided, GEOF acts as the payor of certain operating expenses, which are reimbursed to GEOF by the School. The School's Board retains final authority and responsibility for financial and budgetary commitments. At June 30, 2018 and 2017, the School had a payable to GEOF for $2,580 and $13,083, respectively. There was no receivable outstanding at June 30, 2018 and 2017.

The School periodically has receivables and payables with other charter schools managed by GEOF for shared costs. At June 30, 2018 and 2017, the School had a receivable balance in the amount of $773 and $0 due from 21st Century Charter School @ Gary, Inc. and a payable to 21st Century Charter School @ Gary, Inc. in the amount of $4,657 and $1,379 for various payroll transactions between these entities. In August 2018, GEOF opened another school, Gary Middle College West. The School had a receivable balance in the amount of $46,441 due from Gary Middle College West at June 30, 2018 for startup costs incurred which will be reimbursed to the School.

(Continued)

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 $14,046 and $22,896 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017.

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 School employees are required to contribute three percent of their annual covered salary. 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, 2018 and 2017 were $47,006 and $49,520, respectively.

MONTESSORI ACADEMY AT GEIST, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Montessori Academy at Geist, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Montessori Academy at Geist, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montessori Academy at Geist, Inc., as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 12, 2018

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 2,426,624	$ 2,338,340
Accounts receivable	11,457	9,059
Due from affiliated entity	5,103	67,207
Prepaid expenses	38,126	38,126
Total current assets	2,481,310	2,452,732
PROPERTY AND EQUIPMENT		
Land and construction in process	632,185	557,659
Leasehold improvements	184,893	184,893
Furniture and equipment	287,720	287,720
Textbooks	11,172	11,172
Less: accumulated depreciation	(358,410)	(335,224)
Property and equipment, net	757,560	706,220
OTHER ASSETS		
Security deposit	11,000	11,000
TOTAL ASSETS	$ 3,249,870	$ 3,169,952
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	$ 218,137	$ 218,137
Accounts payable and accrued expenses	111,916	85,284
Deferred revenue	49,845	40,628
Refundable advances	10,375	17,166
Total current liabilities	390,273	361,215
NOTE PAYABLE, NET OF CURRENT PORTION	1,636,026	1,854,163
Total liabilities	2,026,299	2,215,378
NET ASSETS, UNRESTRICTED	1,223,571	954,574
TOTAL LIABILITIES AND NET ASSETS	$ 3,249,870	$ 3,169,952

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 2,325,654	$ 2,282,495
Grant revenue	327,911	354,692
Student fees	79,370	76,072
Investment income	12,093	3,437
Other income	68,938	56,503
Total revenue and support	2,813,966	2,773,199
EXPENSES		
Program services	2,067,327	1,960,825
Management and general	477,642	504,455
Total expenses	2,544,969	2,465,280
CHANGE IN NET ASSETS	268,997	307,919
NET ASSETS, BEGINNING OF YEAR	954,574	646,655
NET ASSETS, END OF YEAR	$ 1,223,571	$ 954,574

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program	Management and General	Total	Program	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,134,377	$ 289,106	$ 1,423,483	$ 1,067,196	$ 274,815	$ 1,342,011
Employee benefits	178,504	54,505	233,009	166,156	62,232	228,388
Professional services	171,340	22,473	193,813	169,994	15,693	185,687
Authorizer oversight fees	-	58,909	58,909	-	56,819	56,819
Staff development and recruitment	15,071	-	15,071	31,440	-	31,440
Food costs	2,687	-	2,687	2,802	-	2,802
Property rental and equipment	23,895	-	23,895	14,577	-	14,577
Classroom, kitchen, and office supplies	83,264	156	83,420	77,358	460	77,818
Occupancy	414,856	-	414,856	385,143	-	385,143
Depreciation	23,186	-	23,186	31,098	-	31,098
Insurance	-	20,208	20,208	-	27,963	27,963
Interest	-	19,087	19,087	-	22,195	22,195
Repairs and maintenance	2,972	-	2,972	1,475	-	1,475
Other	17,175	13,198	30,373	13,586	44,278	57,864
Total functional expenses	$ 2,067,327	$ 477,642	$ 2,544,969	$ 1,960,825	$ 504,455	$ 2,465,280

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

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 268,997	$ 307,919
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	23,186	31,098
Change in certain assets and liabilities:		
Accounts receivable	(2,398)	(1,510)
Due from affiliated entity	62,104	(37,274)
Accounts payable and accrued expenses	26,632	(715)
Deferred revenue	9,217	(2,395)
Refundable advances	(6,791)	5,166
Net cash provided by operating activities	380,947	302,289
INVESTING ACTIVITIES		
Purchases of property and equipment	(74,526)	(583,840)
FINANCING ACTIVITIES		
Principal payments on note payable	(218,137)	(109,068)
NET CHANGE IN CASH	88,284	(390,619)
CASH, BEGINNING OF YEAR	2,338,340	2,728,959
CASH, END OF YEAR	$ 2,426,624	$ 2,338,340
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 20,178	$ 11,833

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Montessori Academy at Geist, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves approximately 370 students in grades kindergarten to eight by providing an alternative to the traditional public schools.

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

Revenue Recognition – Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by 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 educational services are rendered.

Student fees are recognized in the academic school year to which the payments pertain.

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.

Accounts Receivable – Accounts receivable relate to student fees. The School believes that all amounts are collectible, thus an allowance for doubtful accounts is not deemed necessary.

Due from Affiliated Entity – The School pays expenses and salaries for the Geist Montessori Pre-Kindergarten ("Pre-K") program, which is a separate entity from the School. Several times during the year, Pre-K pays the School the balance of the account. In addition, Pre-K's annual net revenues in excess of expenses is contributed to the School and reported in other income ($55,000 and $50,000 for 2018 and 2017, respectively). As of June 30, 2018 and 2017, Pre-K owes the School $5,103 and $67,207, respectively.

Taxes on Income – The School 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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

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, 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	9 to 12 years
Furniture and equipment	3 to 5 years
Textbooks	3 years

Deferred Revenue – Deferred revenue consists of student fee deposits received as part of the enrollment process that apply to the subsequent academic school year.

Subsequent Events – The School evaluated subsequent events through December 12, 2018, 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 - NOTE PAYABLE

The note payable consisted of the following at June 30:

	2018	2017
Note payable to State Board of Education, payable $109,068 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	$ 1,854,163	$ 2,072,300
Less: current portion	(218,137)	(218,137)
Long-term portion	$ 1,636,026	$ 1,854,163

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.

NOTE 2 - NOTE PAYABLE, Continued

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

2019	$	218,137
2020		218,137
2021		218,137
2022		218,137
2023		218,137
Thereafter		763,478
	$	1,854,163

NOTE 3 - REFUNDABLE ADVANCES

The School has been awarded grants to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2018 and 2017, the School had refundable grant advances in excess of expenditures of $10,375 and $17,166, respectively.

NOTE 4 - LEASES

The School leases its education facilities and certain items of office equipment under operating leases for terms from three to seven years. The facility leases include options to renew and provisions for rate escalation based on the Consumer Price Index. Under one facility lease, the School is responsible for insurance, taxes, repairs and utilities. Another facility lease provides for early termination by the School subject to a buyout provision. Expense under operating leases for the years ended June 30, 2018 and 2017 were $381,972 and $363,574, respectively.

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:

2019	$	319,272
2020		67,725
2021		6,876

NOTE 5 - RETIREMENT PLAN

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 2018 and 2017. Retirement plan expense for the years ended June 30, 2018 and 2017 was $34,455 and $31,940, 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 3% of state tuition support received. Expense under this charter agreement was $58,909 and $56,819 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

During December 2017, the School entered into a contract with Lauth Group for the preconstruction phase for a new school facility. The contract is for $250,000, of which no payments had been made as of June 30, 2018. The cost of the new facility is estimated to be $5,750,000, with anticipated bank financing of $4,500,000. Groundbreaking for the new facility is scheduled for December 2018.

NOTE 7 - 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. Cash deposits are maintained at BMO Harris Bank and are insured up to the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

MONTESSORI ACADEMY AT GEIST, INC
OTHER REPORT
For the Year Ended June 30, 2018

The report presented herein was 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

OF

MONTESSORI ACADEMY AT GEIST, INC.

HANCOCK COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

Page

MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Robert McGauley	07/01/17 – 06/30/18
Executive Director	Susan Fries	07/01/17 – 06/30/18
Controller	Karinda Holland	07/01/17 – 06/30/18

The Board of Directors
Montessori Academy at Geist, Inc.

We have audited the financial statements of Montessori Academy at Geist, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated December 12, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 12, 2018

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 6, 2018 with Susan Fries (Executive Director) and Karinda Holland (Controller). The Official Response has been made a part of this report and may be found on page 5.

GEIST MONTESSORI ACADEMY

A Public Charter School

MONTESSORI ACADEMY AT GEIST, INC.

HANCOCK COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

OFFICIAL RESPONSE TO FINDINGS

In response to the finding about the not being in compliance with the requirements set forth by IC 5-11-1-27(g), Geist Montessori Academy will have the board adopt a resolution on December 18, 2018 to comply with the minimum internal control standards and procedures and we will have the staff complete this training and ensure that we are in compliance by January 31, 2019.

Susan Fries, Executive Director
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HOOSIER ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Hoosier Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hoosier Academy, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As presented in Note 2 to the financial statements, in 2013, the Indiana Legislature passed amendments to the Indiana Charter Schools Act that resulted in the suspension of funding in the amount of $4,996,296. Hoosier Academy, Inc. believes this was not the intent of the legislation and has appealed this result with the state government for the unremitted funding shortfall with the expectation that it will ultimately be successful in restoring the unremitted income, and has reflected this income as a receivable in its full amount of $4,996,296 on its statements of financial position as of June 30, 2018 and 2017. Accounting principles generally accepted in the United States of America require a potential gain that is contingent upon a future event be recognized when the amount is realized. If Hoosier Academy, Inc. were to recognize this gain contingency when realized, a write down of receivables in the amount of $4,996,296 would be required as of June 30, 2018 and 2017. Accordingly, unrestricted net assets as of June 30, 2018 and 2017 would be reduced by this amount.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hoosier Academy, Inc. as of June 30, 2018 and 2017 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.

Other Matters

Our audit was conducted 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 audit 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), and is not a required part of the financial statements. Likewise, the Schedules of Financial Position by School on pages 15 and 16 and the Schedules of Activities and Change in Net Assets by School on pages 17 and 18 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of Hoosier 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 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 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 Hoosier Academy, Inc.'s internal control over financial reporting and compliance.

DONOVAN

Donovan

Indianapolis, Indiana
December 20, 2018

HOOSIER ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 1,672,325	$ 1,381,143
Accounts receivable:		
State education support	4,996,296	4,996,296
Grants	360,453	336,009
K12 Classroom, LLC	11,383	39,985
Prepaid expenses	48,298	48,564
Total current assets	7,088,755	6,801,997
PROPERTY AND EQUIPMENT		
Leasehold improvements	777,312	777,312
Furniture and equipment	1,363,994	1,345,285
Less: accumulated depreciation	(1,786,312)	(1,665,980)
Property and equipment, net	354,994	456,617
TOTAL ASSETS	$ 7,443,749	$ 7,258,614
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses:		
K-12 Classroom, LLC	$ 5,743,374	$ 5,249,895
Other	1,675,561	1,971,295
Refundable advance	24,814	37,424
Total current liabilities	7,443,749	7,258,614
NET ASSETS, UNRESTRICTED	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 7,443,749	$ 7,258,614

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

HOOSIER ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 16,996,753	$ 24,819,205
Grant revenue	2,200,185	1,700,034
Interest income	2,141	2,127
Other	222,541	35,796
Total revenue and support	19,421,620	26,557,162
EXPENSES		
Program services	16,545,587	23,357,403
Management and general	2,876,033	3,199,759
Total expenses	19,421,620	26,557,162
CHANGE IN NET ASSETS	-	-
NET ASSETS, BEGINNING OF YEAR	-	-
NET ASSETS, END OF YEAR	$ -	$ -

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

HOOSIER ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 6,202,380	$ 566,257	$ 6,768,637	$ 6,593,538	$ 397,707	$ 6,991,245
Employee benefits	1,321,920	102,216	1,424,136	1,611,538	66,052	1,677,590
Staff development and recruitment	367,388	-	367,388	234,184	-	234,184
Professional services	1,140,425	776,225	1,916,650	3,207,543	648,547	3,856,090
Management services	-	603,373	603,373	-	1,074,989	1,074,989
Food costs	14,926	-	14,926	8,860	-	8,860
Authorizer oversight fee	-	416,209	416,209	-	548,220	548,220
Equipment rental and maintenance	1,526,664	-	1,526,664	2,024,243	-	2,024,243
Classroom and office supplies and fees	5,300,611	49,897	5,350,508	9,189,212	76,677	9,265,889
Occupancy	425,385	-	425,385	241,831	-	241,831
Depreciation	120,332	-	120,332	155,275	-	155,275
Other	125,556	361,856	487,412	91,179	387,567	478,746
Total functional expenses	$ 16,545,587	$ 2,876,033	$ 19,421,620	$ 23,357,403	$ 3,199,759	$ 26,557,162

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

HOOSIER ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ -	$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	120,332	155,275
Changes in certain assets and liabilities:		
Accounts receivable	4,158	(66,699)
Prepaid expenses	266	(1,063)
Accounts payable and accrued expenses	197,745	385,350
Refundable advance	(12,610)	20,282
Net cash provided by operating activities	309,891	493,145
INVESTING ACTIVITIES		
Purchases of property and equipment	(18,709)	(59,251)
NET CHANGE IN CASH	291,182	433,894
CASH, BEGINNING OF YEAR	1,381,143	947,249
CASH, END OF YEAR	$ 1,672,325	$ 1,381,143

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

HOOSIER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Hoosier Academy, Inc. ("Hoosier Academy") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, and is the organizer and governing body of three charter schools located in Indianapolis, Indiana:

- *Hoosier Academies Indianapolis* is a blended learning program serving students in grades K-12.
- *Hoosier Academies Virtual School* was a fully virtual or online program serving students in grades K-12.
- *Insight School of Indiana* started in the 2016-2017 school year and is a fully virtual or online program serving students in grades 7-12 who have struggled in their education.

Enrollment during the 2017-2018 school year ranged between approximately 2,660 and 2,800 students in total for the three schools. Each of the schools is a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. *Hoosier Academies Virtual School* ceased operations effective June 30, 2018.

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

Revenue Recognition – Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, 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. Accordingly, Hoosier Academy recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

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. See Note 2 for additional information.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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, 2018 and 2017, 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 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 tax years ended after 2014 are open to audit for both federal and state purposes.

Subsequent Events – Hoosier Academy evaluated subsequent events through December 20, 2018, the date these financial statements were available to be issued. Events and transactions occurring through that date have been evaluated to determine whether recognition or disclosure in the financial statements would be required.

NOTE 2 - ACCOUNTS RECEIVABLE

The School's accounts receivable balance consists primarily of amounts due from the State of Indiana for the operating periods in which State funding has not been received. As of June 30, 2013, the State forgave the remaining balance of the School's operating loan made through the Common School Fund. As the loan was provided to finance the School's operations when revenue was not received, the School has established an allowance against the accounts receivable balance in the amount forgiven.

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2018 and 2017:

Tuition support	$ 8,993,977
Special education grant	1,190,101
Prime time grant	10,804
Honors grant	1,350
	10,196,232
Less: allowance for Common School loan forgiveness	(5,199,936)
	$ 4,996,296

NOTE 2 - ACCOUNTS RECEIVABLE, Continued

Hoosier Academy's accounts receivable balance for education support consists of amounts due from the State of Indiana for tuition support relating to (a) the first six months of the School's initial school year and (b) enrollment growth occurring in subsequent school years.

Pursuant to IC §20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that were defined in the statute.

In April 2013, the Indiana General Assembly repealed IC §20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. Hoosier Academy applied for and was forgiven from repaying the balance of its indebtedness plus accrued interest of $5,199,936 as of June 30, 2013. The receivable for education support has been reduced by the amount of the loan forgiven.

Members of the Indiana General Assembly and the executive branch have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legislative and administrative efforts are being made to resolve any outstanding obligations of the State.

NOTE 3 - LEASES

Hoosier Academy leases its school facility under an operating lease with Patriots Place, LLC, and another building for administrative purposes from Franklin Road Realty, LLC. The leases provide for monthly lease payments through August 2018 and June 2019, respectively. Hoosier Academy also leases certain items of office equipment under an operating lease, which provides for monthly payments through August 2020. Rent expense for the years ended June 30, 2018 and 2017 under these operating leases was $425,385 and $241,831, respectively. The expense for the years ended June 30, 2018 and 2017 was reduced by $79,639 and $233,373, respectively, due to the deficit credits received by K12 Classroom, LLC (Note 4).

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:

2019	$ 284,022
2020	10,704
2021	1,784

NOTE 4 - 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 $416,209 and $548,220 for the years ended June 30, 2018 and 2017, respectively. The charters remain in effect for Hoosier Academies Indianapolis and Insight School of Indiana until June 30, 2021 and June 30, 2019, respectively, and are renewable thereafter by mutual consent.

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, 2018 and 2017 were $4,219,541 and $5,821,968, 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 $7,120,746 and $12,817,670 for the years ended June 30, 2018 and 2017, respectively. This agreement remains in effect until June 30, 2021.

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, 2018 and 2017, service fees were reduced as follows:

	Administrative and Technology Fees	Other Service Fees
Year Ended June 30, 2018		
Charges per contract	$ 4,219,541	$ 7,120,746
Credit issued by K12 Classroom LLC	(3,332,761)	(559,942)
Net charges	$ 886,780	$ 6,560,804
Year Ended June 30, 2017		
Charges per contract	$ 5,821,968	$ 12,817,670
Credit issued by K12 Classroom LLC	(3,073,042)	(990,349)
Net charges	$ 2,748,926	$ 11,827,321

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.

NOTE 5 - 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 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, 2018 and 2017, 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, 2017 (the latest year reported), TRF was more than 80% 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 2018 or 2017. Retirement plan expense under both plans was $435,686 and $449,645 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - 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, 2018, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at PNC Bank and are insured up to the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

HOOSIER ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION				
Pass-through Indiana Department of Education				
Title I, Part A Cluster				
Grants to Local Educational Agencies	84.010		$	845,135
Special Education Cluster				
Special Education - Grants to States	84.027	14217-531-PN01 14216-531-PN01 14217-603-DY01 14217-519-PN01		679,998
Improving Teacher Quality State Grants	84.367			228,204
Total federal awards expended			$	1,753,337

See independent auditors' report and accompanying notes to this schedule

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hoosier Academy, Inc. under programs of the federal government for the year ended June 30, 2018. 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 Hoosier Academy, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Hoosier 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.

HOOSIER ACADEMY, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2018

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Eliminating Entries	Total
ASSETS					
CURRENT ASSETS					
Cash	$ 148,195	$ 1,150,570	$ 373,560	$ -	$ 1,672,325
Accounts receivable:					
State education support	163,940	4,832,356	-	-	4,996,296
Grants	23,471	280,758	56,224	-	360,453
K12 Classroom, LLC	5,734	-	5,649	-	11,383
Intercompany	-	215,244	-	(215,244)	-
Prepaid expenses	39,597	6,323	2,378	-	48,298
Total current assets	380,937	6,485,251	437,811	(215,244)	7,088,755
PROPERTY AND EQUIPMENT					
Leasehold improvements	777,312	-	-	-	777,312
Furniture and equipment	975,217	359,726	29,051	-	1,363,994
Less: accumulated depreciation	(1,422,636)	(347,991)	(15,685)	-	(1,786,312)
Property and equipment, net	329,893	11,735	13,366	-	354,994
TOTAL ASSETS	$ 710,830	$ 6,496,986	$ 451,177	$ (215,244)	$ 7,443,749
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses:					
K12 Classroom, LLC	$ 409,711	$ 5,298,785	$ 34,878	$ -	$ 5,743,374
Intercompany	64,968	-	150,276	(215,244)	-
Other	215,201	1,194,337	266,023	-	1,675,561
Refundable advance	20,950	3,864	-	-	24,814
Total current liabilities	710,830	6,496,986	451,177	(215,244)	7,443,749
NET ASSETS, UNRESTRICTED	-	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 710,830	$ 6,496,986	$ 451,177	$ (215,244)	$ 7,443,749

See independent auditors' report

HOOSIER ACADEMY, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2017

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Eliminating Entries	Total
ASSETS					
CURRENT ASSETS					
Cash	$ 31,872	$ 1,203,072	$ 146,199	$ -	$ 1,381,143
Accounts receivable:					
State education support	163,940	4,832,356	-	-	4,996,296
Grants	34,190	271,174	30,645	-	336,009
K12 Classroom, LLC	5,734	-	34,251	-	39,985
Intercompany	-	219,777	-	(219,777)	-
Prepaid expenses	43,078	4,410	1,076	-	48,564
Total current assets	278,814	6,530,789	212,171	(219,777)	6,801,997
PROPERTY AND EQUIPMENT					
Leasehold improvements	777,312	-	-	-	777,312
Furniture and equipment	956,508	359,726	29,051	-	1,345,285
Less: accumulated depreciation	(1,320,597)	(339,382)	(6,001)	-	(1,665,980)
Property and equipment, net	413,223	20,344	23,050	-	456,617
TOTAL ASSETS	$ 692,037	$ 6,551,133	$ 235,221	$ (219,777)	$ 7,258,614
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses:					
K12 Classroom, LLC	$ 229,348	$ 5,020,547	$ -	$ -	$ 5,249,895
Intercompany	219,777	-	-	(219,777)	-
Other	237,290	1,498,784	235,221	-	1,971,295
Refundable advance	5,622	31,802	-	-	37,424
Total current liabilities	692,037	6,551,133	235,221	(219,777)	7,258,614
NET ASSETS, UNRESTRICTED	-	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 692,037	$ 6,551,133	$ 235,221	$ (219,777)	$ 7,258,614

HOOSIER ACADEMY, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2018

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Eliminating Entries	Total
REVENUE AND SUPPORT					
State education support	$ 1,323,848	$ 10,746,521	$ 4,926,384	$ -	$ 16,996,753
Grant revenue	235,758	1,629,318	335,109	-	2,200,185
Interest income	282	1,859	-	-	2,141
Other	503,375	196,166	-	(477,000)	222,541
Total revenue and support	2,063,263	12,573,864	5,261,493	(477,000)	19,421,620
EXPENSES					
Program services	1,879,906	9,974,956	4,690,725	-	16,545,587
Management and general	183,357	2,598,908	570,768	(477,000)	2,876,033
Total expenses	2,063,263	12,573,864	5,261,493	(477,000)	19,421,620
CHANGE IN NET ASSETS	-	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-	-	-
NET ASSETS, END OF YEAR	$ -	$ -	$ -	$ -	$ -

HOOSIER ACADEMY, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2017

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Total
REVENUE AND SUPPORT				
State education support	$ 1,439,274	$ 18,972,296	$ 4,407,635	$ 24,819,205
Grant revenue	284,715	1,373,453	41,866	1,700,034
Interest income	232	1,895	-	2,127
Other	33,129	2,667	-	35,796
Total revenue and support	1,757,350	20,350,311	4,449,501	26,557,162
EXPENSES				
Program services	1,563,768	17,640,557	4,153,078	23,357,403
Management and general	193,582	2,709,754	296,423	3,199,759
Total expenses	1,757,350	20,350,311	4,449,501	26,557,162
CHANGE IN NET ASSETS	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-	-
NET ASSETS, END OF YEAR	$ -	$ -	$ -	$ -

See independent auditors' report

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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*

The Board of Directors
Hoosier Academy, Inc.

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., which comprise the statement of financial position as of June 30, 2018, 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 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hoosier Academy, Inc.'s internal control over financial reporting (internal control) to determine the 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 Hoosier Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hoosier 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hoosier 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Hoosier Academy, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hoosier Academy, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

Indianapolis, Indiana
December 20, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE*

The Board of Directors
Hoosier Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Hoosier Academy, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (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, 2018. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hoosier Academy, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hoosier Academy, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hoosier Academy, Inc.'s compliance.

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Opinion on Each Major Federal Program

In our opinion, Hoosier Academy, Inc. complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

Management of Hoosier Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hoosier Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hoosier Academy, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

DONOVAN

Donovan

Indianapolis, Indiana
December 20, 2018

HOOSIER ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Qualified Opinion
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Part A Cluster Grants to Local Educational Agencies

Dollar threshold use to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

HOOSIER ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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*.

SUPPLEMENTAL AUDIT REPORT
OF
HOOSIER ACADEMY, INC.

MARION COUNTY, INDIANA

July 1, 2017 to June 30, 2018

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TABLE OF CONTENTS

Page

HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
Board President	John Marske	07/01/17 – 06/30/18
Head of School	Byron Ernest	07/01/17 – 10/31/17
	Rachel Goodwin	11/01/17 – 06/30/18
Board Treasurer	Gary Meyer	07/01/17 – 06/30/18

The Board of Directors
Hoosier Academy, Inc.

We have audited the financial statements of Hoosier Academy, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated December 20, 2018. 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.

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Indianapolis, Indiana
December 20, 2018

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VENDOR DISBURSEMENTS

We selected a sample of 25 expense transactions. From our sample, we noted that the School was paying sales tax on its telephone bills.

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)

HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 20, 2018 with Enrico Rudolph (Finance Manager, K12, Inc.), Kathy Coe (Operations Manager), Gary Meyer (Board Member), Elizabeth Roth (Deputy Regional Vice President, K12, Inc.), Mary Markert (North Region Finance Director, K12, Inc.), and Elizabeth Lamey (Head of School). The Official Response has been made a part of this report and may be found on page 5.

Management has been in contact with the telephone company and is in the process of rectifying the sales tax finding regarding utility sales tax.

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MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

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TABLE OF CONTENTS

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Independent Auditors' Report

The Board of Directors
Muncie Public Charter School of Inquiry, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 1, 2018

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 280,133	$ 150,890
Grants receivable	3,286	8,450
Other receivables	4,578	-
Prepaid expenses	66,574	27,316
Total current assets	354,571	186,656
PROPERTY AND EQUIPMENT		
Land	76,880	76,880
Building and improvements	194,404	174,113
Furniture and equipment	269,868	261,484
Textbooks	13,092	4,426
Less: accumulated depreciation	(238,579)	(187,651)
Property and equipment, net	315,665	329,252
TOTAL ASSETS	$ 670,236	$ 515,908
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 91,673	$ 61,106
Current portion of capital lease obligation	1,116	1,054
Total current liabilities	92,789	62,160
LONG-TERM LIABILITIES		
Note payable	225,000	225,000
Capital lease obligation, net of current portion	1,924	3,044
Total long-term liabilities	226,924	228,044
Total liabilities	319,713	290,204
NET ASSETS, UNRESTRICTED		
Undesignated	262,898	125,550
Invested in property and equipment, net of note payable and capital lease obligation	87,625	100,154
Total unrestricted net assets	350,523	225,704
TOTAL LIABILITIES AND NET ASSETS	$ 670,236	$ 515,908

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,590,996	$ 1,310,734
Grant revenue	419,906	300,484
Student fees	21,234	17,707
Contributions	24,373	12,192
Other income	24,113	17,663
Total revenue and support	2,080,622	1,658,780
EXPENSES		
Program services	1,528,520	1,233,046
Management and general	427,283	380,683
Total expenses	1,955,803	1,613,729
CHANGE IN NET ASSETS	124,819	45,051
NET ASSETS, BEGINNING OF YEAR	225,704	180,653
NET ASSETS, END OF YEAR	$ 350,523	$ 225,704

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 711,541	$ 221,555	$ 933,096	$ 567,404	$ 189,061	$ 756,465
Employee benefits	168,503	52,448	220,951	132,838	45,121	177,959
Staff development	66,916	-	66,916	77,292	-	77,292
Professional services	196,149	79,076	275,225	131,411	74,713	206,124
Connectivity	26,675	-	26,675	39,506	-	39,506
Authorizer oversight fees	-	31,322	31,322	-	26,598	26,598
Food costs	69,642	-	69,642	67,667	-	67,667
Equipment	25,322	-	25,322	12,038	-	12,038
Classroom and office supplies	26,002	3,159	29,161	29,228	7,415	36,643
Occupancy	179,522	-	179,522	117,685	-	117,685
Depreciation	50,928	-	50,928	50,445	-	50,445
Interest	-	206	206	-	266	266
Insurance	-	15,709	15,709	-	15,475	15,475
Other	7,320	23,808	31,128	7,532	22,034	29,566
Total functional expenses	$ 1,528,520	$ 427,283	$ 1,955,803	$ 1,233,046	$ 380,683	$ 1,613,729

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 124,819	$ 45,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,928	50,445
Change in certain assets and liabilities:		
Grants receivable	5,164	(4,898)
Other receivables	(4,578)	2,999
Prepaid expenses	(39,258)	(3,840)
Accounts payable and accrued expenses	30,567	9,534
Net cash provided by operating activities	167,642	99,291
INVESTING ACTIVITIES		
Purchases of property and equipment	(37,341)	(65,898)
FINANCING ACTIVITIES		
Principal payments on capital lease obligation	(1,058)	(1,002)
NET CHANGE IN CASH	129,243	32,391
CASH, BEGINNING OF YEAR	150,890	118,499
CASH, END OF YEAR	$ 280,133	$ 150,890
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 206	$ 266

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. In 2018, the School served approximately 220 students in grades pre-kindergarten to eighth by providing an alternative to the traditional elementary school program.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.

- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time. There were no temporarily restricted net assets as of June 30, 2018 and 2017.

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.

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 generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by 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 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.

Taxes on Income – Muncie Public Charter School of Inquiry, 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, 2018 and 2017, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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. Tax years ending after 2014 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $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 range from three to five years for furniture and equipment; four years for textbooks; and forty years for building and improvements.

Subsequent Events – The School evaluated subsequent events through November 1, 2018, 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 - CAPITAL LEASE

The School leases equipment under a capital lease. At June 30, 2018, the cost and accumulated depreciation of the copier were $5,495 and $3,079, respectively.

Following is a schedule of future minimum lease payments under the capital lease for the years ending June 30 and present value of the net minimum lease payments as of June 30, 2018:

2019	$	1,266
2020		1,266
2021		850
		3,382
Less: amount representing interest		(342)
	$	3,040

NOTE 3 - NOTE PAYABLE

The School has a note payable due to The Roman Catholic Dioceses of Lafayette-in-Indiana, Inc. The note is payable in three equal installments of $75,000 each on July 1, 2019, 2020, and 2021 and is non-interest bearing. The note is secured by the school building.

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. Expense under this charter agreement was $31,322 and $26,598 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent.

NOTE 5 - 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. 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.

NOTE 6 - RETIREMENT PLANS

The School offers retirement benefits 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 7.5% 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, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

NOTE 6 - RETIREMENT PLANS, Continued

In lieu of TRF or PERF, all employees are eligible to participate in a Section 403(b) defined contribution retirement plan sponsored by the School. Under this plan, the School contributed 7% of compensation as defined through October 31, 2014. Since that time, the School has opted to match employee contributions at a rate of 2.33 to 1, but not to exceed 7% of compensation. Additional contributions may also be made to the plan at the discretion of the Board of Directors. No discretionary contributions were made during the years ended June 30, 2018 or 2017.

Retirement plan expense under all plans was $44,880 and $34,016 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - CONTINGENCIES

The School terminated its lease on its facility at 1620 S. Madison Street, Muncie, Indiana effective June 30, 2016, citing landlord non-performance. The lease was through June 30, 2018 and, as such, the School may be liable for remaining payments. On July 10, 2018, the School received a demand letter from the lessor, The Housing Authority of the City of Muncie, Indiana, for payment in the amount of $360,000. The School responded, via its attorney, on August 20, 2018 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 $10,000. As of the date of this audit report, no response had been received from The Housing Authority of the City of Muncie, Indiana. The accompanying financial statements do not reflect any liability related to this situation.

NOTE 8 - FUNCTIONAL EXPENSE REPORTING

The costs of providing educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
OTHER REPORT
For the Year Ended June 30, 2018

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. d/b/a 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.*

SUPPLEMENTAL AUDIT REPORT

OF

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY

DELAWARE COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
Director of Finance	Paul Runyon	07/01/17 – 06/30/18
School Leader	Leslie Draper	07/01/17 – 06/04/18
	Bridget Duggleby	06/04/18 – 06/30/18
President of the Board	Tom Schroeder	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
Muncie Public Charter School of Inquiry, Inc.

We have audited the financial statements of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated November 1, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 1. 2018

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

CASH BALANCES

Per review of the School's Form 9 submission for the period of January to June 2018, we noted fund 900 was overdrawn by $20,583. The overdrawn fund was not due to awaiting reimbursement on a reimbursement grant.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which shall be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with School personnel, we determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on November 1, 2018 with Paul Runyon (Director of Finance), Bridget Duggleby (School Leader), Tom Schroeder (Board President), and Tracy Osborne (Board Treasurer). The Official Response has been made a part of this report and may be found on pages 5 and 6.

INSPIRE ACADEMY
A School of Inquiry

November 1, 2018

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

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 Board of Accounts.

CASH BALANCES

Audit Result and Comment: Per review of the School's Form 9 submission for the period of January to June 2018, we noted fund 900 was overdrawn by $20,583. The overdrawn fund was not due to awaiting reimbursement on a reimbursement grant.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which shall be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Response:

An adjustment has been made to bring the balance of fund 900 above zero. The School will monitor this and all other fund accounts to assure that none are reduced below zero.

MINIMUM INTERNAL CONTROL STANDARDS

Audit Result and Comment: Per review and discussion with School personnel, we determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

2801 E. 16th St.
Muncie, IN 47302
765-216-7980
admin@inspiremuncie.org
www.inspiremuncie.org

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

Response: The School will ensure that minimum internal control standards and procedures are developed and are adopted by the School's Board of Directors and that personnel receive training concerning the internal control standards and procedures adopted.

INDIANA ONLINE LEARNING OPTIONS, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Indiana Online Learning Options, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Online Learning Options, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Online Learning Options, Inc. as of June 30, 2018 and 2017, 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.

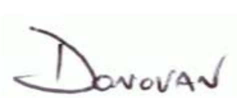
Other Matters

Our audit was conducted 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 audit 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), and is not a required part of the financial statements. Likewise, the Schedule of Financial Position by School on page 13 and the Schedule of Activities and Change in Net Assets by School on page 14 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of Indiana Online Learning Options, 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 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 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 Indiana Online Learning Options, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
December 21, 2018

INDIANA ONLINE LEARNING OPTIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 7,957,200	$ 4,808,547
State tution support receivable	3,848,885	3,848,885
Grants receivable	697,374	725,986
Other receivables	12,270	-
Prepaid expenses	1,229	2,820
Total current assets	12,516,958	9,386,238
PROPERTY AND EQUIPMENT		
Leasehold improvements	4,568	3,132
Furniture and equipment	78,950	78,950
Less: accumulated depreciation	(61,892)	(50,354)
Property and equipment, net	21,626	31,728
TOTAL ASSETS	$ 12,538,584	$ 9,417,966
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Connections Academy of Indiana, LLC	$ 11,489,850	$ 8,668,671
Accounts payable and accrued expenses	1,012,944	725,617
Refundable advances	-	8,229
Total current liabilities	12,502,794	9,402,517
NET ASSETS, UNRESTRICTED	35,790	15,449
TOTAL LIABILITIES AND NET ASSETS	$ 12,538,584	$ 9,417,966

INDIANA ONLINE LEARNING OPTIONS, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 27,547,039	$ 24,856,753
Grant revenue	1,604,075	1,416,667
Contributions	823,946	-
Other	84	544
Total revenue and support	29,975,144	26,273,964
EXPENSES		
Program services	27,238,884	23,949,272
Management and general	2,715,919	2,320,152
Total expenses	29,954,803	26,269,424
CHANGE IN NET ASSETS	20,341	4,540
NET ASSETS, BEGINNING OF YEAR	15,449	10,909
NET ASSETS, END OF YEAR	$ 35,790	$ 15,449

INDIANA ONLINE LEARNING OPTIONS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 8,258,760	$ -	$ 8,258,760	$ 6,565,593	$ -	$ 6,565,593
Employee benefits	2,429,474	-	2,429,474	1,791,271	-	1,791,271
Staff development and recruitment	257,726	1,722	259,448	270,206	4,088	274,294
Authorizer fees	-	652,391	652,391	-	553,908	553,908
Professional services	335,840	501,053	836,893	361,126	358,859	719,985
School administration and support services	3,576,561	1,434,648	5,011,209	3,667,558	1,285,174	4,952,732
Classroom and office supplies	7,493,289	-	7,493,289	7,138,032	-	7,138,032
Technology	3,746,211	-	3,746,211	3,366,233	-	3,366,233
Testing	905,904	-	905,904	535,706	-	535,706
Occupancy	144,427	-	144,427	153,669	-	153,669
Travel	18,611	-	18,611	20,525	-	20,525
Depreciation	11,538	-	11,538	12,488	-	12,488
Equipment	13,559	-	13,559	16,031	-	16,031
Repairs and maintenance	1,541	-	1,541	1,648	-	1,648
Insurance	-	2,820	2,820	-	8,820	8,820
Other	45,443	123,285	168,728	49,186	109,303	158,489
Total functional expenses	$ 27,238,884	$ 2,715,919	$ 29,954,803	$ 23,949,272	$ 2,320,152	$ 26,269,424

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

INDIANA ONLINE LEARNING OPTIONS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 20,341	$ 4,540
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	11,538	12,488
Changes in certain assets and liabilities:		
Grants receivable	28,612	116,182
Other receivables	(12,270)	200
Prepaid expenses	1,591	(2,820)
Due to Connections Academy of Indiana, LLC	2,821,179	(302,417)
Accounts payable and accrued expenses	287,327	105,871
Refundable advances	(8,229)	8,229
Net cash provided by (used in) operating activities	3,150,089	(57,727)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,436)	-
NET CHANGE IN CASH	3,148,653	(57,727)
CASH, BEGINNING OF YEAR	4,808,547	4,866,274
CASH, END OF YEAR	$ 7,957,200	$ 4,808,547

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana Online Learning Options, Inc. (the "IOL") is a public benefit not-for-profit 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 4,600 students in grades kindergarten through twelve.

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 funding received by other public schools. 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 the Schools' revenue is the product of cost reimbursement grants. Accordingly, the Schools recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The Schools believe that they are operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary with regard to such receivables.

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

Taxes on Income – Indiana Online Learning Options, 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, IOL would be subject to tax on income unrelated to its tax-exempt purpose. For the periods ended June 30, 2018 and 2017, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Professional accounting standards require IOL 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. IOL has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years after 2014 are open to audit for both federal and state purposes.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses

Subsequent Events – IOL evaluated subsequent events through December 21, 2018, 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 - LEGISLATIVE CHANGES

Pursuant to IC §20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that were defined in the statute.

In April 2013, the Indiana General Assembly repealed IC §20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. IOL obtained a loan in the amount of $3,594,503 in 2013, and subsequently repaid $599,084. IOL applied for and was forgiven from repaying the balance of the remaining indebtedness plus accrued interest of $3,010,396 as of June 30, 2013. An allowance has been established against IOL's related accounts receivable balance in the amount of the loan forgiven (See Note 3).

In the same session, 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, IOL followed the practice of recognizing at June 30 a receivable for payments to be made to IOL in the subsequent July through December time period, which represented amounts due for services rendered. As of June 30, 2013, total funding remaining due to IOL was $6,859,281. Effective July 1, 2013, school funding is paid following the State of Indiana fiscal year of July to June, which is similar to IOL's academic year.

NOTE 3 - STATE TUITION SUPPORT RECEIVABLE

IOL's state tuition support receivable balance consists primarily of amounts due from the State of Indiana for the operating periods in which State funding has not been received. As of June 30, 2013, the State forgave the remaining balance of IOL's operating loan made through the Common School Fund. As the loan was provided to finance IOL's operations when revenue was not received, IOL has established an allowance against the accounts receivable balance in the amount forgiven.

On June 10, 2016, IOL sued the State of Indiana, its Governor, its Superintendent of Schools, and its Department of Education for the remaining tuition support. On November 14, 2018, the trial court entered a final order awarding IOL a judgement of $3,848,885. The State has filed a notice appealing the judgment to the Indiana Court of Appeals. As of the financial statement date, no briefing schedule for the appeal has been established.

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2018 and 2017:

Tuition support	$ 6,267,272
Special education grant	592,009
	6,859,281
Less: allowance for Common School loan forgiven	(3,010,396)
	$ 3,848,885

NOTE 4 - RETIREMENT PLANS

The Schools' personnel are eligible to participate in a 401(k) retirement plan sponsored by Pearson Online & Blended Learning, LLC. Under the plan, the Schools match 100% of employee contributions up to 3% of compensation and 50% of employee contributions for the next 3% of compensation. The Schools may also make additional discretionary contributions. No discretionary contributions were made in 2018 and 2017. Retirement plan expense for the years ended June 30, 2018 and 2017 was $148,205 and $107,433, respectively.

NOTE 5 - LEASE

IOL leases its facilities under an operating lease through June 30, 2021. Expense under the lease for the years ended June 30, 2018 and 2017 was $144,427 and $153,669, respectively. Future minimum lease obligations this lease are as follows for the years ending June 30:

2019	$ 156,600
2020	159,100
2021	162,000

NOTE 6 - COMMITMENTS

The Schools operate under a single charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charter, the Schools agree to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $652,391 and $553,908 for the years ended June 30, 2018 and 2017, respectively. The charters remain in effect until June 30, 2021, 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 the Schools. 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, 2019.

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 $822,946 for the year ended June 30, 2018 (none in 2017) and the credits issued to IOL were $2,475,054 and $2,184,000 for the years ended June 30, 2018 and 2017, respectively.

Such fees were as follows for the years ended June 30:

	2018	2017
Enrollment/unit based fees	$ 12,952,062	$ 11,838,523
Revenue based fees	6,509,132	6,266,742
	19,461,194	18,105,265
Less: total contribution and credits issued	(3,298,000)	(2,184,000)
Net fees	$ 16,163,194	$ 15,921,265

NOTE 7 - 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, 2018 and 2017, substantially all of the receivable balance was due from the State of Indiana. In addition, cash deposits are maintained at PNC Bank, and are insured up to the FDIC insurance limit.

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	18-9905	$ 659,615
Special Education Cluster			
Special Education - Grants to States	84.027	18611-546-PN01	614,820
	84.027	18611-608-DN01	15,745
Improving Teacher Quality State Grants	84.367	S367A170013	110,590
Total federal awards expended			$ 1,400,770

See independent auditors' report and accompanying notes to this schedule

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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. ("IOL") under programs of the federal government for the year ended June 30, 2018. 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 IOL, it is not intended to and does not present the financial position, changes in net assets, or cash flows of IOL.

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.

INDIANA ONLINE LEARNING OPTIONS, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2018

	INCA	INCC	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 7,844,364	$ 112,836	$ 7,957,200
State tution support receivable	3,848,885	-	3,848,885
Grants receivables	681,044	16,330	697,374
Other receivable	12,270	-	12,270
Prepaid expenses	1,229	-	1,229
Total current assets	12,387,792	129,166	12,516,958
PROPERTY AND EQUIPMENT			
Leasehold improvements	4,568	-	4,568
Furniture and equipment	78,950	-	78,950
Less: accumulated depreciation	(61,892)	-	(61,892)
Property and equipment, net	21,626	-	21,626
TOTAL ASSETS	$ 12,409,418	$ 129,166	$ 12,538,584
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Due to Connections Academy of Indiana, LLC	$ 11,427,575	$ 62,275	$ 11,489,850
Accounts payable and accrued expenses	957,702	55,242	1,012,944
Total current liabilities	12,385,277	117,517	12,502,794
NET ASSETS, UNRESTRICTED	24,141	11,649	35,790
TOTAL LIABILITIES AND NET ASSETS	$ 12,409,418	$ 129,166	$ 12,538,584

See independent auditors' report

INDIANA ONLINE LEARNING OPTIONS, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2018

	INCA	INCC	Total
REVENUE AND SUPPORT			
State education support	$ 27,120,479	$ 426,560	$ 27,547,039
Grant revenue	1,585,069	19,006	1,604,075
Contribution revenue	1,000	822,946	823,946
Other income	84	-	84
Total revenue and support	28,706,632	1,268,512	29,975,144
EXPENSES			
Program services	26,003,184	1,235,700	27,238,884
Management and general	2,694,756	21,163	2,715,919
Total expenses	28,697,940	1,256,863	29,954,803
CHANGE IN NET ASSETS	8,692	11,649	20,341
NET ASSETS, BEGINNING OF YEAR	15,449	-	15,449
NET ASSETS, END OF YEAR	$ 24,141	$ 11,649	$ 35,790

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*

The Board of Directors
Indiana Online Learning Options, Inc.

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. ("IOL"), which comprise the statement of financial position as of June 30, 2018 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 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered IOL's internal control over financial reporting (internal control) to determine the 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 IOL's internal control. Accordingly, we do not express an opinion on the effectiveness of IOL'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IOL'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 IOL'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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DONOVAN

Indianapolis, Indiana
December 21, 2018

Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Indiana Online Learning Options, Inc.

Report on Compliance for Each Major Federal Program

We have audited Indiana Online Learning Options, Inc.'s ("IOL") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of IOL's major federal programs for the year ended June 30, 2018. IOL's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of IOL's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IOL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IOL's compliance.

Opinion on Each Major Federal Program

In our opinion, Indiana Online Learning Options, Inc. complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

Management of Indiana Online Learning Options, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IOL's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IOL's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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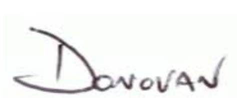

Indianapolis, Indiana
December 21, 2018

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan
CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Academies of Northwest Indiana, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Academies of Northwest Indiana, Inc. as of June 30, 2018 and 2017, 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.

Other Matters

Our audit was conducted 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 audit 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), and is not a required part of the financial statements. Likewise, the schedules of financial position by school and schedules of activities and change in net assets by school on pages 14 through 17 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019 on our consideration of Lighthouse Academies of Northwest Indiana, 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 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 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and compliance.

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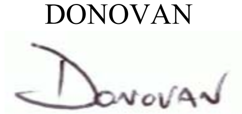

Indianapolis, Indiana
March 28, 2019

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 2,464,089	$ 1,875,838
Cash - restricted for bond interest	299,082	118,605
Accounts receivable:		
Grants	818,451	600,265
Other	13,532	-
Prepaid expenses	36,110	88,437
Total current assets	3,631,264	2,683,145
PROPERTY AND EQUIPMENT, NET	17,892,590	18,247,289
OTHER ASSETS		
Cash - restricted for debt service	1,689,287	1,609,215
Cash - restricted for property repairs and replacement	201,778	200,073
Total other assets	1,891,065	1,809,288
TOTAL ASSETS	$ 23,414,919	$ 22,739,722
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable	$ 280,000	$ -
Current portion of note payable	-	66,667
Accounts payable and accrued expenses	2,366,874	2,022,673
Total current liabilities	2,646,874	2,089,340
LONG-TERM LIABILITIES		
Bonds payable	19,670,000	19,950,000
Less: unamortized debt issuance costs	(244,222)	(253,438)
Total long-term liabilities, net of unamortized debt issuance costs	19,425,778	19,696,562
Total liabilities	22,072,652	21,785,902
NET ASSETS	1,342,267	953,820
TOTAL LIABILITIES AND NET ASSETS	$ 23,414,919	$ 22,739,722

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 15,704,600	$ 14,553,941
Grant revenue	6,006,091	4,960,406
Student fees	108,550	66,105
Contributions	-	7,184
Fundraising	73,879	50,747
Interest	18,892	-
Other	58,694	80,565
Total revenue and support	21,970,706	19,718,948
EXPENSES		
Program services	18,080,661	16,270,249
Management and general	3,472,240	3,245,923
Fundraising	29,358	25,904
Total expenses	21,582,259	19,542,076
CHANGE IN NET ASSETS	388,447	176,872
NET ASSETS, BEGINNING OF YEAR	953,820	776,948
NET ASSETS, END OF YEAR	$ 1,342,267	$ 953,820

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES								
Salaries and wages	$ 8,404,447	$ 959,949	$ -	$ 9,364,396	$ 7,949,040	$ 982,679	$ -	$ 8,931,719
Employee benefits	1,957,996	256,500	-	2,214,496	1,774,768	314,188	-	2,088,956
Staff development and recruitment	54,735	-	-	54,735	64,004	-	-	64,004
Academic services - Lighthouse Academies	-	1,625,590	-	1,625,590	-	1,419,426	-	1,419,426
Authorizer oversight fee	-	322,391	-	322,391	-	297,266	-	297,266
Food service	1,024,003	-	-	1,024,003	1,064,872	-	-	1,064,872
Transportation service	1,240,874	-	-	1,240,874	1,128,636	-	-	1,128,636
Other professional services	611,212	179,192	-	790,404	603,957	143,213	-	747,170
Equipment rental	724,070	-	-	724,070	35,386	-	-	35,386
Classroom, kitchen, and office supplies	623,757	66,962	-	690,719	350,777	47,182	-	397,959
Occupancy	1,120,832	-	-	1,120,832	1,113,087	-	-	1,113,087
Depreciation	819,738	-	-	819,738	705,640	-	-	705,640
Amortization	9,216	-	-	9,216	4,608	-	-	4,608
Interest	1,409,637	-	-	1,409,637	1,419,032	-	-	1,419,032
Other	80,144	61,656	29,358	171,158	56,442	41,969	25,904	124,315
Total functional expenses	$ 18,080,661	$ 3,472,240	$ 29,358	$ 21,582,259	$ 16,270,249	$ 3,245,923	$ 25,904	$ 19,542,076

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 388,447	$ 176,872
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	819,738	705,640
Amortization	9,216	4,608
Changes in certain assets and liabilities:		
Grants receivable	(218,186)	(191,428)
Other receivable	(13,532)	1,847
Prepaid expenses	52,327	39,267
Accounts payable and accrued expenses	344,201	415,298
Net cash provided by operating activities	1,382,211	1,152,104
INVESTING ACTIVITIES		
Purchases of property and equipment	(465,039)	(132,112)
FINANCING ACTIVITIES		
Principal repayment of capital lease obligations	-	(22,946)
Principal repayment of note payable	(66,667)	(50,000)
Increase in cash - restricted for bond interest	(180,477)	(118,605)
Increase in cash - restricted for property repairs and replacement	(1,705)	-
Increase in cash - restricted for debt service	(80,072)	(96,090)
Cash paid at bond closing	-	(144,204)
Net cash used in financing activities	(328,921)	(431,845)
NET CHANGE IN CASH	588,251	588,147
CASH, BEGINNING OF YEAR	1,875,838	1,287,691
CASH, END OF YEAR	$ 2,464,089	$ 1,875,838
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 1,409,637	$ 1,419,032
Purchases of property and equipment financed through accrued expenses	-	41,238
Financed through bonds payable:		
Capital lease obligations retirement	-	13,182,654
Purpose restricted cash acquired	-	1,713,198
Increase in value of property and equipment	-	4,940,306
Debt issuance costs	-	258,046

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), a public benefit not-for-profit 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 sponsored by Ball State University. Gary Lighthouse Charter School served approximately 1,540 students in grades kindergarten through 12 and East Chicago Lighthouse Charter School served approximately 500 students in grades kindergarten through eight during the 2017 - 2018 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.

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 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.

Debt Issuance Costs – During 2017, LANWI incurred costs associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Total costs incurred were $258,046. Amortization is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization was $13,824 and $4,608 as of June 30, 2018 and 2017, respectively. Amortization expense was $9,216 and $4,608 for the years ended June 30, 2018 and 2017, 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.

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 $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	30 years
Furniture and equipment	3 to 5 years

Taxes on Income – Lighthouse Academies of Northwest Indiana, 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, 2018 and 2017, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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. Tax years ending after 2014 are open to audit for both federal and state purposes.

Subsequent Events – LANWI evaluated subsequent events through March 28, 2019, 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 - 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.

Cash - 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. Bond proceeds funded $1,513,122 of the balance in this fund. LANWI was required to deposit $16,015 monthly into this fund from January 2017 to November 2017.

Cash - 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:

	2018	2017
Land	$ 1,245,200	$ 1,245,200
Buildings and improvements	17,003,434	16,865,731
Furniture and equipment	1,860,816	1,533,479
	20,109,450	19,644,410
Less: accumulated depreciation	(2,216,860)	(1,397,121)
	$ 17,892,590	$ 18,247,289

NOTE 4 - BONDS PAYABLE

During 2017, LANWI refinanced its obligations related to its school facilities. Previously, LANWI had entered into a lease arrangement with CFM – NW Indiana, LLC. During 2017, 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 ten business days after availability;
- a minimum 35 days' cash on hand as of June 30, 2018 and 2017, and a minimum 45 days' cash on hand as of June 30, 2019 and each June 30 thereafter; and
- meeting a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

LANWI was in compliance with the covenants as of and for the years ended June 30, 2018 and 2017.

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

2019	$ 280,000
2020	295,000
2021	315,000
2022	335,000
2023	355,000
Thereafter	18,367,454
	$ 19,950,000

NOTE 5 - NOTE PAYABLE

LANWI had a note payable due to Lighthouse Academies, Inc., which is under contract to manage the LANWI schools. The note provided for monthly interest payments at 4.5% per annum. Principal payments were due and payable at such times as LANWI has unencumbered funds to make a payment when considering other debts then currently owed. The note was to be paid evenly in three payments of $83,333 in 2015, 2016, and 2017, however, only $50,000 was paid on the note in both 2017 and 2016. The note was secured by certain items of personal property. The note was paid in full in 2018.

NOTE 6 - LEASES

LANWI leases certain items of equipment under operating leases. Total lease expense under operating leases was $80,671 and $110,148 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments are as follows for the years ending June 30:

2019	$ 57,132
2020	57,132
2021	24,916

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, 2018 and 2017. Retirement plan was $53,762 and $76,182 expense for the years ended June 30, 2018 and 2017, 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 $1,625,590 and $1,419,426 for the years ended June 30, 2018 and 2017, 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 $322,391 and $297,266 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit of $250,000. As of June 30, 2018 and 2017, LANWI carried balances in its bank accounts in excess of FDIC insurance limits.

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. Accordingly, certain expenses have been allocated between program services, management and general, and fundraising.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		$ 330,206
National School Lunch Program	10.555		852,706
Total for federal grantor agency			1,182,912
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	17-9535/18-9535 17-9595/18-9595	2,974,124
Special Education Cluster			
Special Education - Grants to States	84.027	14217-561-PN01 14217-501-PN01	270,450
English Language Acquisition State Grants	84.365		13,000
Improving Teacher Quality State Grants	84.367		144,500
Student Support and Academic Enrichment Grants	84.424		22,145
Total for federal grantor agency			3,424,219
Total federal awards expended			$ 4,607,131

See independent auditors’ report and accompanying notes to this schedule

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. under programs of the federal government for the year ended June 30, 2018. 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 Lighthouse Academies of Northwest Indiana, Inc., it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of Lighthouse Academies of Northwest Indiana, 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.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2018

	Gary	East Chicago	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	$ 1,930,089	$ 534,000	$ -	$ 2,464,089
Cash - restricted for bond interest	239,266	59,816	-	299,082
Accounts receivable:				
Grants	718,147	100,304	-	818,451
Other	143,962	13,032	(143,462)	13,532
Prepaid expenses	22,551	13,559	-	36,110
Total current assets	3,054,015	720,711	(143,462)	3,631,264
PROPERTY AND EQUIPMENT, NET	14,345,135	3,547,455	-	17,892,590
OTHER ASSETS				
Cash - restricted for debt service	1,358,256	331,031	-	1,689,287
Cash - restricted for property repairs and replacement	162,325	39,453	-	201,778
Total other assets	1,520,581	370,484	-	1,891,065
TOTAL ASSETS	$ 18,919,731	$ 4,638,650	$ (143,462)	$ 23,414,919
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current portion of bonds payable	$ 225,263	$ 54,737	$ -	$ 280,000
Accounts payable and accrued expenses	1,819,174	691,162	(143,462)	2,366,874
Total current liabilities	2,044,437	745,899	(143,462)	2,646,874
LONG-TERM LIABILITIES				
Bonds payable	15,824,737	3,845,263	-	19,670,000
Less: unamortized debt issuance costs	(196,480)	(47,742)	-	(244,222)
Total long-term liabilities, net of unamortized debt issuance costs	15,628,257	3,797,521	-	19,425,778
Total liabilities	17,672,694	4,543,420	(143,462)	22,072,652
NET ASSETS	1,247,037	95,230	-	1,342,267
TOTAL LIABILTIES AND NET ASSETS	$ 18,919,731	$ 4,638,650	$ (143,462)	$ 23,414,919

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2017

	Gary	East Chicago	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	$ 1,502,626	$ 373,212	$ -	$ 1,875,838
Cash - restricted for bond interest	94,884	23,721	-	118,605
Accounts receivable:				
Grants	423,379	176,886	-	600,265
Other	96,715	7,722	(104,437)	-
Prepaid expenses	56,435	32,002	-	88,437
Total current assets	2,174,039	613,543	(104,437)	2,683,145
PROPERTY AND EQUIPMENT, NET	14,646,605	3,600,684	-	18,247,289
OTHER ASSETS				
Cash - restricted for debt service	1,294,198	315,017	-	1,609,215
Cash - restricted for property repairs and replacement	160,961	39,112	-	200,073
Total other assets	1,455,159	354,129	-	1,809,288
TOTAL ASSETS	$ 18,275,803	$ 4,568,356	$ (104,437)	$ 22,739,722
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Note payable	$ -	66,667	$ -	$ 66,667
Accounts payable and accrued expenses	1,489,678	637,432	(104,437)	2,022,673
Total current liabilities	1,489,678	704,099	(104,437)	2,089,340
LONG-TERM LIABILITIES				
Bonds payable	16,050,000	3,900,000		19,950,000
Less: unamortized debt issuance costs	(203,894)	(49,544)	-	(253,438)
Total long-term liabilities, net of unamortized debt issuance costs	15,846,106	3,850,456	-	19,696,562
Total liabilities	17,335,784	4,554,555	(104,437)	21,785,902
NET ASSETS	940,019	13,801	-	953,820
TOTAL LIABILTIES AND NET ASSETS	$ 18,275,803	$ 4,568,356	$ (104,437)	$ 22,739,722

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2018

	Gary	East Chicago	Total
REVENUE AND SUPPORT			
State education support	$ 11,878,141	$ 3,826,459	$ 15,704,600
Grant revenue	4,854,927	1,151,164	6,006,091
Student fees	90,330	18,220	108,550
Fundraising	20,598	53,281	73,879
Interest	15,114	3,778	18,892
Other	58,216	478	58,694
Total revenue and support	16,917,326	5,053,380	21,970,706
EXPENSES			
Program services	13,941,681	4,138,980	18,080,661
Management and general	2,668,627	803,613	3,472,240
Fundraising	-	29,358	29,358
Total expenses	16,610,308	4,971,951	21,582,259
CHANGE IN NET ASSETS	307,018	81,429	388,447
NET ASSETS, BEGINNING OF YEAR	940,019	13,801	953,820
NET ASSETS, END OF YEAR	$ 1,247,037	$ 95,230	$ 1,342,267

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2017

	Gary	East Chicago	Total
REVENUE AND SUPPORT			
State education support	$ 11,261,426	$ 3,292,515	$ 14,553,941
Grant revenue	3,917,334	1,043,072	4,960,406
Student fees	53,926	12,179	66,105
Contributions	-	7,184	7,184
Fundraising	11,534	39,213	50,747
Other	71,374	9,191	80,565
Total revenue and support	15,315,594	4,403,354	19,718,948
EXPENSES			
Program services	12,748,469	3,521,780	16,270,249
Management and general	2,484,747	761,176	3,245,923
Fundraising	-	25,904	25,904
Total expenses	15,233,216	4,308,860	19,542,076
CHANGE IN NET ASSETS	82,378	94,494	176,872
NET ASSETS, BEGINNING OF YEAR	857,641	(80,693)	776,948
NET ASSETS, END OF YEAR	$ 940,019	$ 13,801	$ 953,820

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*

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

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., which comprise the statement of financial position as of June 30, 2018, 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 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting (internal control) to determine the 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, 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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lighthouse Academies of Northwest Indiana, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lighthouse Academies of Northwest Indiana, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

Donovan

Indianapolis, Indiana
March 28, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Lighthouse Academies of Northwest Indiana, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the schools' major federal programs for the year ended June 30, 2018. Lighthouse Academies of Northwest Indiana, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lighthouse Academies of Northwest Indiana, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lighthouse Academies of Northwest Indiana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lighthouse Academies of Northwest Indiana, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Lighthouse Academies of Northwest Indiana, Inc. complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

Management of Lighthouse Academies of Northwest Indiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lighthouse Academies of Northwest Indiana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

DONOVAN

Indianapolis, Indiana
March 28, 2019

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

Dollar threshold use to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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*.

SUPPLEMENTAL AUDIT REPORT

OF

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Dr. Kay Ward McDuffie	07/01/17 – 06/30/18
Superintendent	Dr. Sheri Miller-Williams	07/01/17 – 06/30/18
School Treasurer	Tina Dobson	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

We have audited the financial statements of Lighthouse Academies of Northwest Indiana, Inc. ("LANWI") as of and for the year ended June 30, 2018 and have issued our report thereon dated March 28, 2019. As part of our audit, we tested the 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.

DONOVAN

Donovan

Indianapolis, Indiana
March 28, 2019

www.cpadonovan.com
Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411
Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

FINANCIAL REPORTING

Our examination of the semi-annual financial reports to the Indiana Department of Education (Form 9) for the period July 1, 2017 to June 30, 2018 revealed the following reportable issues:

1. The overall cash balances on the Form 9 reports at June 30, 2018 for the LANWI schools did not agree with the balance of cash per the schools' accounting records.
2. Fund balances for federal grants did not reflect the true balances of the grant programs for either LANWI school.
3. Multiple fund balances on both LANWI schools were overdrawn. The overdrawn accounts were not a result of awaiting reimbursements.

A fund, as used in the Charter School Manual, represents moneys set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

RECEIPTS AND DEPOSITS

We examined records relating to cash received at the schools pertaining to items such as extra-curricular activity fees, fundraisers, fees, and donations. We tested 25 receipts at each LANWI school (50 in total). From transactions tested for East Chicago Lighthouse Charter School, we noted 18 out of 25 receipts were not deposited in a timely manner.

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, Part 8)

CAPITAL ASSETS

Neither LANWI school completed an annual inventory of fixed assets.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory shall be taken for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 15)

TEXTBOOK RENTAL AND SCHOOL LUNCH REPORTING

We attempted to test the determinations made by Gary Lighthouse Charter School for student eligibility for textbook reimbursement, however LANWI was unable to provide support for the eligibility determinations made for the students selected. Textbook reimbursement requires the students to be eligible for free or reduced meals.

The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. [7 CFR, part 245.6(c)]

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, we determined LANWI was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on March 22, 2019 with Dr. Kay Ward McDuffie (President of Board of Directors), Yvette Irons-Johnson (Board Treasurer), Mary Beth Rousseau and Jerome Ballard (Representatives from Lighthouse Academies, Inc.). Official response has been made part of this report and may be found on page 6.

Lighthouse Academies, Inc.

March 25, 2019

Donovan CPAs
9245 N. Meridian St, Suite 302
Indianapolis, IN 46260

Attn: Benjamin A. Lippert, CPA

RE: Reponses to Lighthouse Academies of Northwest Indiana Supplemental Audit Report

Financial Reporting

The overall cash balances on the Form 9 reports at June 30, 2018 for the LANWI schools did not agree with the balance of cash per the schools' accounting records.

> Response: A reconciliation will be done between the Form 9 reported balances and the audited cash balances. Corrections will be made to bring the balances in agreement.

Fund balances for federal grants did not reflect the true balances of the grant programs for either LANWI school.

> Response: A reconciliation will be done between the Form 9 reported balances and the actual fund balances. Corrections will be made to bring the fund balances to be reported on the Form 9 to the actual fund balances.

Multiple fund balances on both LANWI schools were overdrawn. The overdrawn accounts were not a result of awaiting reimbursements.

> Response: A reconciliation will be done between the Form 9 reported balances and the actual fund balances. Corrections will be made to bring the fund balances to be reported on the Form 9 to the actual fund balances.

Receipts and Deposits

Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. From transactions tested for East Chicago Lighthouse Charter School East, 18 out of 25 receipts were not deposited in a timely manner.

> Response: Training on the current policy and procedures will be provided to school personnel responsible for accepting and depositing checks and cash received at the school.

Capital Assets

Neither LANWI school completed an annual inventory of fixed assets.

Response: A physical inventory will be conducted in the spring of FY2019 at both schools.

Textbook Rental and School Lunch Reporting

The local educational agency must determine household eligibility for free or reduced-price meals either through direct certification or the application process at or about the beginning of the school year. LANWI was unable to provide support for the eligibility determinations.

Response: Procedures have been reviewed with school personnel and applications for those students not on the direct certification list have been completed for the FY2019 school year.

Minimum Internal Control Standards

Per review and discussion with school personnel, it was determined that LANWI was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

Response: Internal control standards will be formally adopted by the school's governing board. Personnel will be identified and given the appropriate training in FY2019.

Sincerely,

MBRousseau

Mary Beth Rousseau
Controller
Lighthouse Academies, Inc.

29140 Chapel Park Drive, Bldg. 5A · Wesley Chapel, FL 33543 · Tel 813.922.1933
www.lighthouse-academies.org

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Northern Rush County Schools, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Rush County Schools, Incorporated d/b/a Mays Community Academy, which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Rush County Schools, Incorporated d/b/a Mays Community Academy as of June 30, 2018 and 2017, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

As described in Note 2 to the financial statements, the School has experienced financial difficulties during the years ended June 30, 2018 and 2017. These factors include recurring losses, a large working capital deficiency, significant principal payments on notes payable due in the upcoming fiscal year, and necessary short-term financing from members of the community to meet cash flow needs. These factors combined raise substantial doubt about the School's ability to continue as a going concern. Further details pertaining to these financial difficulties as well as management's intentions with respect to this matter are also described in Note 2. The accompanying 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 17, 2018

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 68,016	$ 9,925
Grants receivable	-	14,614
Total current assets	68,016	24,539
PROPERTY AND EQUIPMENT		
Land	88,400	88,400
Building and improvements	512,642	512,642
Furniture and equipment	212,108	204,198
Software and textbooks	80,254	79,684
Vehicles	5,000	5,000
Less: accumulated depreciation	(160,391)	(102,005)
Property and equipment, net	738,013	787,919
OTHER ASSETS		
Security deposit	3,900	3,900
TOTAL ASSETS	$ 809,929	$ 816,358
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Lines of credit	$ -	$ 150,000
Current portion of notes payable	180,958	42,500
Accounts payable and accrued expenses	201,566	155,322
Refundable advance	29,475	29,475
Short-term financing	101,000	-
Total current liabilities	512,999	377,297
NOTES PAYABLE, NET OF CURRENT PORTION	318,750	361,250
Total liabilities	831,749	738,547
NET ASSETS (DEFICIENCY), UNRESTRICTED		
Undesignated	(260,125)	(306,358)
Invested in property and equipment, net of notes payable	238,305	384,169
Total net assets (deficiency), unrestricted	(21,820)	77,811
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	$ 809,929	$ 816,358

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,452,050	$ 1,206,207
Grant revenue	326,072	283,373
Student fees	35,635	42,498
Contributions	54,930	14,640
Other income	65,456	39,638
Total revenue and support	1,934,143	1,586,356
EXPENSES		
Program services	1,546,962	1,301,574
Management and general	486,812	501,384
Total expenses	2,033,774	1,802,958
CHANGE IN NET ASSETS	(99,631)	(216,602)
NET ASSETS, BEGINNING OF YEAR	77,811	294,413
NET ASSETS (DEFICIENCY), END OF YEAR	$ (21,820)	$ 77,811

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 739,218	$ 224,163	$ 963,381	$ 642,134	$ 239,199	$ 881,333
Employee benefits	240,990	48,066	289,056	187,124	57,083	244,207
Staff development	1,020	-	1,020	14,905	-	14,905
Professional services	47,426	96,900	144,326	53,748	92,827	146,575
Repairs and maintenance	-	37,237	37,237	-	31,209	31,209
Authorizer oversight fees	-	28,632	28,632	-	28,383	28,383
Food costs	83,023	-	83,023	44,563	-	44,563
Transportation	224,614	193	224,807	215,957	2,501	218,458
Information technology	32,056	-	32,056	12,664	-	12,664
Advertising	-	367	367	-	13,043	13,043
Classroom, kitchen, and office supplies	48,990	7,782	56,772	29,062	20,389	49,451
Occupancy	62,802	-	62,802	58,868	-	58,868
Depreciation	58,386	-	58,386	32,471	-	32,471
Interest	-	12,165	12,165	-	13,245	13,245
Insurance	2,619	-	2,619	2,500	-	2,500
Other	5,818	31,307	37,125	7,578	3,505	11,083
Total functional expenses	$ 1,546,962	$ 486,812	$ 2,033,774	$ 1,301,574	$ 501,384	$ 1,802,958

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (99,631)	$ (216,602)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	58,386	32,471
Change in certain assets and liabilities:		
Grants receivable	14,614	1,602
Accounts payable and accrued expenses	46,244	89,707
Refundable advance	-	29,475
Net cash provided by (used in) operating activities	19,613	(63,347)
INVESTING ACTIVITIES		
Purchases of property and equipment	(8,480)	(69,087)
FINANCING ACTIVITIES		
Proceeds from short-term financing	559,000	219,000
Principal payments on short-term financing	(458,000)	(219,000)
Proceeds from (repayments of) lines of credit, net	(150,000)	150,000
Proceeds from notes payable	138,458	-
Repayments of notes payable	(42,500)	(132,157)
Net cash provided by financing activities	46,958	17,843
NET CHANGE IN CASH	58,091	(114,591)
CASH, BEGINNING OF YEAR	9,925	124,516
CASH, END OF YEAR	$ 68,016	$ 9,925

	2018	2017
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 12,165	$ 13,245

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Northern Rush County Schools, Incorporated d/b/a Mays Community Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School is sponsored by Ball State University and operates a public charter established under Indiana Code 20-24. The School served approximately 180 and 175 students during the years ended June 30, 2018 and 2017, respectively, in grades kindergarten through six. The School's enrollment increased to approximately 210 during the fall 2019 semester.

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.

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.

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 small equipment purchases 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	7 to 20 years
Furniture and equipment	5 to 7 years
Software and textbooks	3 to 5 years
Vehicles	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Northern Rush County Schools, Incorporated 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, 2018 and 2017, 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. Since the School commenced operations in 2015, all tax years are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 17, 2018, 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 CONSIDERATIONS

As reflected in the accompanying financial statements, the School has experienced financial difficulties during the years ended June 30, 2018 and 2017. The following factors raise substantial doubt about the School's ability to continue as a going concern:

- Expenses exceeded revenues by $102,309 and $216,602 for the years ended June 30, 2018 and 2017, respectively;
- Negative cash flows from operations of $63,347 for the year ended June 30, 2017, and slightly positive cash flow from operations during the year ended June 30, 2018, due primarily to increases in accounts payable and accrued expenses;
- Negative working capital (current assets minus current liabilities) of $447,661 as of June 30, 2018; and
- Borrowings and repayments of short-term financing notes payable from members of the community of $559,000 and $458,000, respectively, during the year ended June 30, 2018 necessary to meet the cash flow needs of the School.

The ability of the School to continue as a going concern is dependent upon the School increasing state education support revenue through increased enrollment, controlling its operating expenses, and improving its cash management processes. The accompanying financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

NOTE 2 - GOING CONCERN CONSIDERATIONS, Continued

Management is aware of the financial difficulties encountered during the years ended June 30, 2018 and 2017 and is actively working to ensure the long-term financial viability of the School. Management attributes much of its financial challenges to a growth and learning curve of an entity in the early stages of operations.

During the year ended June 30, 2018, the School received a five-year renewal of its charter from Ball State University. Student enrollment increased from approximately 180 during the 2017-2018 school year to 223 as of the date of this report.

The School has identified and utilized new funding sources including additional special education grants and food program grants as the School qualifies under the Community Eligibility Provision of the National School Lunch and School Breakfast Program during the 2018-2019 school year.

Management believes the measures it has taken to correct the financial difficulties documented herein are sufficient to allow the School to continue as a going concern for the foreseeable future

NOTE 3 - REFUNDABLE ADVANCE

The School has been awarded grants to provide educational instruction that are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of $29,475 as of both June 30, 2018 and 2017.

NOTE 4 - LINES OF CREDIT

The School had two lines of credit with CentreBank. The first line of credit had a $75,000 borrowing capacity and incurred interest at 4.0% per annum. The second line of credit had a $75,000 borrowing capacity and incurred interest at 4.5% per annum. The total balance on both lines of credit as of June 30, 2017 was $150,000. The lines of credit were converted to notes payable during the year ended June 30, 2018.

NOTE 5 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2018	2017
Two notes payable to CentreBank with substantially identical terms; payable in monthly installments of $2,822 total including interest at 5.50% per annum, secured by all School assets. Any remaining unpaid portion is due upon maturity in January 2019.	$ 138,458	$ -
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.	361,250	403,750
	499,708	403,750
Less: current portion	(180,958)	(42,500)
Long-term portion	$ 318,750	$ 361,250

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

2019	$ 180,958
2020	42,500
2021	42,500
2022	42,500
2023	42,500
Thereafter	148,750
	$ 499,708

NOTE 6 - SHORT-TERM FINANCING

From time to time throughout the years ended June 30, 2018 and 2017, the School utilized short-term note payable financing from members of the community to meet cash flow needs. The average interest rate on the short-term notes payable was 8%. The School borrowed and repaid $559,000 and $458,000, respectively, during the year ended June 30, 2018 and paid $977 in interest thereon. The School borrowed and repaid $219,000 during the year ended June 30, 2017 and paid $935 in interest thereon.

NOTE 7 - 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 year ended June 30, 2018 and 2017, the School contributed 7.5% 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, 2017 (the latest year reported), TRF and PERF were more than 80% funded. The School's total retirement expense was $51,732 and $71,166 in 2018.

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. Payments under this charter agreement were $28,632 and $28,383 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2023 and is renewable thereafter by mutual consent.

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 $31,666 and $45,826 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 - 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. 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.

NOTE 9 - RISKS AND UNCERTAINTIES, Continued

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2017, substantially all of the receivable balance was due from the State of Indiana. There was not balance in accounts receivable subject to credit risk as of June 30, 2018. In addition, bank deposits are maintained primarily at CentreBank and MainSource Bank and are insured up to the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2018

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
d/b/a 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.*

SUPPLEMENTAL AUDIT REPORT

OF

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED d/b/a MAYS COMMUNITY ACADEMY

RUSH COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Nansi Custer	07/01/17 – 06/30/18
CEO	Carissa Williams	07/01/17 – 06/30/18
Principal	Shannon New	07/01/17 – 06/30/18

The Board of Directors
Northern Rush County Schools Incorporated

We have audited the financial statements of Northern Rush County Schools Incorporated d/b/a Mays Community Academy, (the "School") as of and for the year ended June 30, 2018, and have issued our report thereon dated December 17, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
December 17, 2018

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

REQUIRED REPORTS

The School is required to file two Biannual Financial Reports during the year that reflect the cash activity during the year. After reviewing the Form 9 reports it was noted that the cash balance did not tie to the trial balance.

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. 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, Part 9)

RECEIPTS AND DEPOSITS

The School issues receipts for various fees such as lunch fees, textbook fees, and after school program fees. Of the twenty-five receipts we tested, four receipts were not deposited timely.

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, Part 8)

PAYROLL COMPLIANCE

We made sampled of fifteen employees and reviewed their employment agreements and pay rates. We noted that three of the fifteen employees tested did not have proper employment agreements.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (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)

SCHOOL LUNCH ELIGIBILITY

The School serves lunch and accepts applications from students to determine meal eligibility status. We tested a sample of fifteen students and reviewed their applications to ensure the School correctly determined their eligibility. Three of the fifteen applications reviewed were not noted as being reviewed by School staff.

We also requested documentation that the School properly completed the 3% verification as mandated by the state. The School was unable to provide documentation to support that the verification was properly completed.

The local educational agency must determine household eligibility for free or reduced-price meals either through direct certification or the application process at or about the beginning of the school year. [7 CFR, part 245.6(c)]

The governing board is charged with the duty to preserve, keep, maintain, or file all the official records of the political subdivision pursuant to IC 5-15-1-1.

A public record is defined as all documentation of the informational, communicative or decision-making processes of the political subdivision in connection with the transaction of public business or governmental functions, which documentation is created, received, retained, maintained, or filed by the political subdivision as evidence of its activities or because of the information value of the data in the documentation, and which is generated on paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics. [IC 5-15-5.1-1] (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 12)

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 14, 2018 with Krissi Williams (Director/Chief Executive Officer) and Nansi Custer (Board President). The Official Response has been made a part of this report and may be found on page 6.

MAYS
Community Academy

December 17, 2018

RESPONSE TO SBOA REPORT

Required Reports – MCA is working with Bookkeeping Plus to facilitate the Form 9 filing. QuickBooks is used to maintain financial records. An implemented procedure of closing out the fiscal period along with the utilization of the bookkeeping company will prevent postings into any prior period.

Receipts and Deposits – MCA is located approximately 15 miles from the nearest bank. Every attempt is made to make the deposits within the required amount of time. We have all free meals beginning with school year 2018-2019. This will greatly reduce the amount of money collected at school. Management recognizes the deposit requirement rules, and will work diligently to make sure these are fully met moving forward.

Payroll Compliance – All current employees are given an employment agreement. This now included part-time employees. Any adjustments to pay shall be noted on an updated employment agreement for each employee.

School Lunch Eligibility – The 2017-2018 school year was the first year MCA participated in the Food Program. More training has been given on the requirements of records retention for maintaining this program.. MCA is now participating in the CEP program. Full records retention policies have been put in place for tracking these students.

P.O. Box 188 • Lewisville, IN 47352 929 E. South St. • Mays, IN 46155
(P) 765-645-5577 • (F) 765-645-5230

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Neighbors' Educational Opportunities, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Neighbors' Educational Opportunities, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighbors' Educational Opportunities, Inc. as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
January 21, 2019

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 7,399	$ 38,975
Grants receivable	41,398	159,058
Other receivables	15,904	13,324
Prepaid expenses	4,120	12,474
Total current assets	68,821	223,831
PROPERTY AND EQUIPMENT		
Land	835,000	835,000
Building and improvements	3,957,399	3,957,399
Furniture and equipment	442,499	442,499
Less: accumulated depreciation	(438,605)	(247,226)
Property and equipment, net	4,796,293	4,987,672
OTHER ASSETS		
Security deposit	11,910	11,910
TOTAL ASSETS	$ 4,877,024	$ 5,223,413
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 251,694	$ 305,491
Accounts payable and accrued expenses	232,705	173,613
Short-term note payable	8,725	-
Total current liabilities	493,124	479,104
LONG-TERM LIABILITIES		
Notes payable, net of current portion	4,154,112	4,246,451
Total liabilities	4,647,236	4,725,555
NET ASSETS, UNRESTRICTED	229,788	497,858
TOTAL LIABILITIES AND NET ASSETS	$ 4,877,024	$ 5,223,413

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

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,367,068	$ 1,621,778
Grant revenue	805,645	734,643
Student fees	40,089	35,157
Rental income	34,520	16,569
Contributions	24,468	57,754
Interest income	1,136	-
Other income	7,640	34,078
Total revenue and support	2,280,566	2,499,979
EXPENSES		
Program services	1,858,168	1,822,714
Management and general	690,468	862,207
Total expenses	2,548,636	2,684,921
CHANGE IN NET ASSETS	(268,070)	(184,942)
NET ASSETS, BEGINNING OF YEAR	497,858	682,800
NET ASSETS, END OF YEAR	$ 229,788	$ 497,858

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

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,042,331	$ 381,209	$ 1,423,540	$ 981,033	$ 489,557	$ 1,470,590
Employee benefits	180,140	68,810	248,950	180,891	90,268	271,159
Staff development	8,508	-	8,508	5,559	2,213	7,772
Authorizer oversight fees	-	25,706	25,706	-	37,397	37,397
Educational content	29,462	-	29,462	33,850	-	33,850
Food costs	42,988	-	42,988	49,394	-	49,394
Equipment	12,559	-	12,559	28,938	-	28,938
Classroom and office supplies	50,673	2,133	52,806	52,862	9,387	62,249
Professional services	77,405	12,772	90,177	34,609	32,799	67,408
Occupancy	145,643	9,821	155,464	180,372	12,377	192,749
Contracted IT services	63,225	-	63,225	86,087	-	86,087
Travel	2,968	3,375	6,343	8,191	8,441	16,632
Insurance	-	20,700	20,700	-	18,817	18,817
Advertising	-	10,032	10,032	-	15,755	15,755
Depreciation	191,379	-	191,379	178,534	-	178,534
Interest	-	147,852	147,852	-	141,537	141,537
Other	10,887	8,058	18,945	2,394	3,659	6,053
Total functional expenses	$ 1,858,168	$ 690,468	$ 2,548,636	$ 1,822,714	$ 862,207	$ 2,684,921

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (268,070)	$ (184,942)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	191,379	178,534
Change in certain assets and liabilities:		
Grants receivable	117,660	(70,259)
Other receivables	(2,580)	(9,317)
Prepaid expenses	8,354	(4,155)
Accounts payable and accrued expenses	59,092	5,946
Net cash provided by (used in) operating activities	105,835	(84,193)
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(2,163,509)
Change in cash restricted for construction	-	2,312,735
Net cash provided by investing activities	-	149,226
FINANCING ACTIVITIES		
Proceeds from short-term notes payable	50,000	-
Repayments of short-term notes payable	(41,275)	-
Principal payments of notes payable	(146,136)	(100,713)
Net cash used in financing activities	(137,411)	(100,713)
NET CHANGE IN CASH	(31,576)	(35,680)
CASH, BEGINNING OF YEAR	38,975	74,655
CASH, END OF YEAR	$ 7,399	$ 38,975
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 147,852	$ 141,537

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

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Neighbors' Educational Opportunities, Inc. (the "Corporation") is a public benefit not-for-profit 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 195 students during 2017-2018. 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 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 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 significant portion of the Corporation's revenue is the product of cost reimbursement grants. Accordingly, the Corporation recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs 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.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases 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	37.5 years
Furniture and equipment	3 to 7 years

Taxes on Income – Neighbors' Educational Opportunities, 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 Corporation would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2018 and 2017, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income, Continued – 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. Tax years ending after 2014 are open to audit for both federal and state purposes.

Subsequent Events – The Corporation evaluated subsequent events through January 21, 2019, 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

Enrollment for the 2017-2018 school year declined significantly from the 2016-2017 school year. The decline in revenue caused by the enrollment decrease resulted in a negative change in net assets of approximately $268,000 for the year ended June 30, 2018. In addition, as of June 30, 2018 the School has a negative working capital of approximately $425,000.

Enrollment for the 2018-2019 school year increased 35 students to a total of 230 students, which generates additional state funding of approximately $215,000.

Management believes the increased enrollment along with their intentional and urgent actions and success in cost and cash outflow containment will allow the Corporation to continue to operate at least twelve months beyond the date of this report.

NOTE 3 - LEASES

The Corporation leases equipment under an operating lease agreement. The equipment lease matures in December 2018 and provides for monthly payments of $835. Payments on the lease for the year ending June 30, 2019 total $5,010.

Expense under these operating leases was $18,930 and $37,059 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2018	2017
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, through July 2027.	$ 1,037,389	$ 1,095,022
Note payable to 1st Source Bank, payable in monthly installments $27,789 including interest at 4.25% per annum, with a balloon payment due May 2022, secured by mortgage on Corporation facilities	3,368,417	3,456,920
	4,405,806	4,551,942
Less: current portion	(251,694)	(305,491)
Long-term portion	$ 4,154,112	$ 4,246,451

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 Corporation's future tuition support payments on the Corporation's basic grant.

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

2019	$ 251,694
2020	317,737
2021	326,511
2022	2,875,903
2023	115,265
Thereafter	518,696
	$ 4,405,806

NOTE 5 - RETIREMENT PLAN

The Corporation maintains a SIMPLE IRA retirement plan with Oppenheimer Funds for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the Corporation matches up to 3% of each participant's compensation for the plan year. Retirement plan expense was $17,754 and $17,302 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - COMMITMENTS

The charter high 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 Corporation 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 $25,706 and $37,397 for the years ended June 30, 2018 and 2017, respectively. The charter will remain 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 persons 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. Changes in state or federal legislation could significantly affect 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.

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of receivables from Center of Workforce Innovations, Inc. and the State of Indiana.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
OTHER REPORT
For the Year Ended June 30, 2018

The report presented herein was prepared in addition to another official report prepared for the School 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.

SUPPLEMENTAL AUDIT REPORT

OF

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

PORTER COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Deborah Birch	07/01/17 – 06/30/18
Executive Director	Rebecca Reiner	07/01/17 – 06/30/18
Director of Operations	Shanta Belyeu	07/01/17 – 06/30/18

The Board of Directors
Neighbors' Educational Opportunities, Inc.

We have audited the financial statements of Neighbors' Educational Opportunities, Inc. (the "Corporation") as of and for the year ended June 30, 2018, and have issued our report thereon dated January 21, 2019. As part of our audit, we tested the Corporation'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.

DONOVAN

Donovan

Indianapolis, Indiana
January 21, 2019

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with personnel, it was determined that the Corporation was not in compliance with item 2 of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision. (IC 5-11-1-27(g)).

NEIGHBORS' EDUCATION OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 19, 2018 with Debbie Birch (Board President), Marie Robinson (Board Treasurer), Rebecca Reiner (Executive Director), and Anthony Smith (Accounts Payable). The Official Response has been made a part of this report and may be found on page 5.

Neighbors' Educational Opportunities
2018 Audit Response Letter

January 21, 2019

To Whom it May Concern:
Here are the official responses to the findings in the preliminary (draft) Supplemental Audit Report from Donovan CPAs issued on January 9, 2019.

Minimum Control Standards:

1. The Board of Directors for Neighbors' Educational Opportunities (NEO) took the necessary action to ensure compliance with Internal Control Standards and Procedures for the organization as set forth by IC5-11-1-27(g) by adopting Policy 6111 - Internal Controls Standards and Procedures on August 15, 2018.

2. Neighbors' Educational Opportunities will remedy the requirement that all personnel who handle money will be trained according to the internal control standards and procedures adopted by the NEO Board of Directors no later than January 31, 2019 and prior to handling any money. This will be documented and sent to Donovan and the NEO Board of Directors.

Sincerely,

Rebecca Reiner

Rebecca Reiner
Cc Deborah Birch

Neighbors Educational Opportunities
New Vistas High School and NEO Adult Education
5201 US Highway 6 Portage, IN 46368
219-850-4448 www.neoadulted.org

OPTIONS CHARTER SCHOOL - CARMEL, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Options Charter School - Carmel, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Options Charter School - Carmel, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Northside Office | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 **|** 317.844.8300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options Charter School - Carmel, Inc. as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 29, 2018

OPTIONS CHARTER SCHOOL - CARMEL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 847,000	$ 827,660
Accounts receivable	3,188	3,563
Current portion of note receivable	75,000	75,000
Prepaid expenses	16,027	18,286
Total current assets	941,215	924,509
PROPERTY AND EQUIPMENT		
Leasehold improvements	246,308	229,316
Furniture and equipment	498,125	498,125
Less: accumulated depreciation	(562,765)	(538,327)
Property and equipment, net	181,668	189,114
OTHER ASSETS		
Note receivable, net of current portion	562,500	637,500
TOTAL ASSETS	$ 1,685,383	$ 1,751,123
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	$ 100,000	$ 100,000
Accounts payable and accrued expenses	89,519	71,125
Due to Options Charter School - Noblesville, Inc.	16,904	16,904
Refundable advance	2,940	5,812
Total current liabilities	209,363	193,841
NOTE PAYABLE, NET OF CURRENT PORTION	750,000	850,000
Total liabilities	959,363	1,043,841
NET ASSETS, UNRESTRICTED	726,020	707,282
TOTAL LIABILITIES AND NET ASSETS	$ 1,685,383	$ 1,751,123

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

OPTIONS CHARTER SCHOOL - CARMEL, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,231,114	$ 1,332,210
Grant revenue	284,819	264,870
Student fees	14,690	10,483
Contribution from Options in Education Foundation, Inc.	21,782	8,530
Other income	10,577	9,898
Total revenue and support	1,562,982	1,625,991
EXPENSES		
Program services	1,016,223	801,172
Management and general	528,021	620,650
Total expenses	1,544,244	1,421,822
CHANGE IN NET ASSETS	18,738	204,169
NET ASSETS, BEGINNING OF YEAR	707,282	503,113
NET ASSETS, END OF YEAR	$ 726,020	$ 707,282

OPTIONS CHARTER SCHOOL - CARMEL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 465,011	$ 293,821	$ 758,832	$ 355,127	$ 348,368	$ 703,495
Employee benefits	188,667	119,211	307,878	117,444	115,209	232,653
Occupancy	207,846	28,343	236,189	218,993	29,158	248,151
Equipment	40,975	-	40,975	28,013	-	28,013
Professional services	19,476	8,959	28,435	17,864	16,330	34,194
Depreciation	21,505	2,933	24,438	22,517	2,998	25,515
Classroom and office supplies	25,415	16,059	41,474	17,335	17,005	34,340
Food service	12,087	-	12,087	-	-	-
Authorizer oversight fees	-	28,316	28,316	-	28,391	28,391
Insurance	-	14,896	14,896	-	23,542	23,542
Transportation	5,543	3,502	9,045	1,560	1,531	3,091
Interest	-	8,750	8,750	-	10,284	10,284
Other	29,698	3,231	32,929	22,319	27,834	50,153
Total functional expenses	$ 1,016,223	$ 528,021	$ 1,544,244	$ 801,172	$ 620,650	$ 1,421,822

OPTIONS CHARTER SCHOOL - CARMEL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 18,738	$ 204,169
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,438	25,515
Change in certain assets and liabilities:		
Accounts receivable	375	(3,453)
Prepaid expenses	2,259	(8,863)
Accounts payable and accrued expenses	18,394	(48,242)
Refundable advance	(2,872)	5,812
Net cash provided by operating activities	61,332	174,938
INVESTING ACTIVITIES		
Purchases of property and equipment	(16,992)	(78,855)
FINANCING ACTIVITIES		
Principal paid on note payable	(100,000)	(50,000)
Principal received from Options Charter School - Noblesville, Inc.	75,000	37,500
Net cash used in financing activities	(25,000)	(12,500)
NET CHANGE IN CASH	19,340	83,583
CASH, BEGINNING OF YEAR	827,660	744,077
CASH, END OF YEAR	$ 847,000	$ 827,660
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 9,250	$ 8,301

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Options Charter School - Carmel, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves approximately 190 students in grades nine to twelve by providing an alternative to traditional high school programs.

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. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

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

Taxes on Income – Options Charter School - Carmel, 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, 2018 and 2017, 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 ended after 2014 are open to audit for both federal and state purposes.

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 $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	5 to 40 years
Furniture and equipment	3 to 7 years

Subsequent Events – The School evaluated subsequent events through November 29, 2018, 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

The School has a $75,000 revolving line of credit with First Merchants Bank. Drawings against the line of credit bear interest at 2.5% above the lender's prime rate and are secured by all school assets. There was no balance outstanding under the line of credit as of June 30, 2018 or 2017.

NOTE 3 - REFUNDABLE ADVANCE

The School has been awarded a grant from the Lilly Foundation, Inc. for the purpose of establishing comprehensive counseling services for students. The grant must be utilized for its intended purpose no later than December 31, 2018, after which any remaining unused portion of the grant is subject to reversion to the grantor organization. The unused portion of the grant is shown as a refundable advance on the statements of financial position and had a balance of $2,940 and $5,812 at June 30, 2018 and 2017, respectively.

NOTE 4 - NOTE RECEIVABLE AND NOTE PAYABLE

During 2016, the School obtained a $1,000,000 note payable from the State Board of Education. The School immediately entered into an agreement to loan $750,000 of the proceeds to Options Charter School - Noblesville, Inc. ("Options - Noblesville"). The repayment terms with Options - Noblesville mirror the terms with the State Board of Education.

NOTE 4 - NOTE RECEIVABLE AND NOTE PAYABLE, Continued

The note payable consisted of the following as of June 30:

		2018		2017
Note payable to State Board of Education, payable $50,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	$	850,000	$	950,000
Less: current portion		(100,000)		(100,000)
Long-term portion	$	750,000	$	850,000

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.

The note receivable consisted of the following as of June 30:

		2018		2017
Note receivable from Options - Noblesville, receivable $37,500 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	$	637,500	$	712,500
Less: current portion		(75,000)		(75,000)
Long-term portion	$	562,500	$	637,500

Principal maturities of the note payable and note receivable are as follows for the years ending June 30:

		Note Payable		Note Receivable		Net Payable
2019	$	100,000	$	75,000	$	25,000
2020		100,000		75,000		25,000
2021		100,000		75,000		25,000
2022		100,000		75,000		25,000
2023		100,000		75,000		25,000
Thereafter		350,000		262,500		87,500
	$	850,000	$	637,500	$	212,500

NOTE 5 - LEASES

The School leases its facility and certain items of office equipment under operating leases. The facility lease requires monthly payments over a twelve-year term and provides that the School pay for the costs of its improvements as well as its proportionate share of real estate taxes and operating expenses. Expense under operating leases was $190,969 and $198,872 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease obligations are as follows for the years ended June 30:

2019	$	154,374
2020		130,671
2021		135,649
2022		4,976
2023		415

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 $28,316 and $28,391 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

NOTE 7 - RELATED PARTIES

The School is related to Options - Noblesville in that they have a common Board of Directors. Both schools advance amounts to each other as needed to meet cash flow requirements. The net balance owed to Options - Noblesville as of June 30, 2018 and 2017 was $16,904. The School paid Options - Noblesville $15,386 during the year ended June 30, 2017, for a portion of the administrative expenses. No such payments were made in 2018. The School is also contingently liable as a guarantor with respect to a $75,000 line of credit maintained by Options - Noblesville. At June 30, 2018 and 2017, there was no balance outstanding under the line of credit. In addition, the School has a note receivable from Options - Noblesville as described in Note 4.

The School is affiliated with Options in Education Foundation, Inc. (the "Foundation") in that the Foundation and the School have certain overlapping board members and that the Foundation solicits support and assistance to benefit the School. The School received financial assistance from the Foundation in the amounts of $21,782 and $8,530 during the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - RELATED PARTIES, Continued

During 2017, the School paid $15,119 to a company related to the president of the School to perform construction services. The School also employs several members of the president's family. The School paid these individuals $53,100 and $24,045 during the years ended June 30, 2018 and 2017, respectively.

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 10.5% 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, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

Employees can also elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. The School contributes 10.5% of participant compensation to the 403(b) plan. Retirement plan expense was $95,728 and $76,364 for the years ended June 30, 2018 and 2017, respectively.

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.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018 and 2017, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at First Merchants Bank are insured up to the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

OPTIONS CHARTER SCHOOL - CARMEL, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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 School - Carmel, 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

OF

OPTIONS CHARTER SCHOOL - CARMEL, INC.

HAMILTON COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
Chairman of Board of Directors	Lawrence Phillips	07/01/17 – 06/30/18
School Treasurer	Sherrie Bly	07/01/17 – 06/30/18
Treasurer of Board of Directors	Hannah Heuser	07/01/17 – 06/30/18

The Board of Directors
Options Charter School - Carmel, Inc.

We have audited the financial statements of Options Charter School - Carmel, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated November 29, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 29, 2018

RECEIPTS AND DEPOSITS

We tested twenty-five cash receipts from the School's receipt books. Four of the receipts tested were not deposited timely.

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, Part 8)

OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on November 29, 2018 with Mike Gustin (President), Sherrie Bly (School Treasurer), and Will Mattingly (Board Treasurer). The Official Response has been made a part of this report and may be found on page 5.

Options Charter Schools

Belong.Believe.Achieve

Nov. 20, 2018

Response to late deposits regarding SBOA Procedures for deposit of public funds.

Receipt # 455313 12/21/17 $30.00 Deposited 12/29/18
Received on Thursday, 12/21/17 at the Carmel location, was not deposited until Friday, 12/29/17 when Sherrie returned from Christmas Holiday + 2 vacation days. Kim Sams (Treasurer's back-up) was also out of the office those days.

Receipt# 455340 5/8/18 $ 185.00 Deposited 5/16/18
Received on Tuesday, 5/8/18 at the Carmel location, was not received at the Noblesville office until 5/16/18 - and deposited that same day. I am not aware of any reason for delay in getting this to the Noblesville office.

Receipt# 455349 5/31/18 $46.25 Deposited 6/14/18
Receipt# 455350 6/1/18 $185.00 Deposited 6/14/18
Received on Thursday & Friday respectively 5/31/18 and 6/1/18 at the Carmel location, was not received at the Noblesville office until 6/14/18 - and deposited that same day. 5/31/18 was the last day for some staff, which may have been the cause of the delay in getting the receipts to the Noblesville location.

In the future, Options Charter Schools will implement procedures to avoid delays in depositing funds received.

Sincerely,

Sherrie L. Bly

Sherrie L. Bly
Treasurer

9945 Cumberland Pointe Blvd. | Noblesville, IN 46060 | *phone:* 317.773.8659
530 West Carmel Dr. | Carmel, IN 46032 | *phone:* 317.815.2098
www.optionsschools.org

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Options Charter School - Noblesville, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Options Charter School - Noblesville, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options Charter School - Noblesville, Inc. as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 29, 2018

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 909,132	$ 667,146
Due from Options Charter School - Carmel, Inc.	16,904	16,904
Prepaid expenses	16,293	19,606
Total current assets	942,329	703,656
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,192,612	2,054,997
Furniture and equipment	653,767	621,681
Less: accumulated depreciation	(694,972)	(618,933)
Property and equipment, net	2,151,407	2,057,745
TOTAL ASSETS	$ 3,093,736	$ 2,761,401
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 200,800	$ 200,800
Accounts payable and accrued expenses	105,531	83,121
Refundable advance	4,069	9,550
Total current liabilities	310,400	293,471
NOTES PAYABLE, NET OF CURRENT PORTION	1,506,004	1,706,804
Total liabilities	1,816,404	2,000,275
NET ASSETS, UNRESTRICTED		
Undesignated	832,729	610,985
Invested in property and equipment, net of notes payable	444,603	150,141
Total net assets, unrestricted	1,277,332	761,126
TOTAL LIABILITIES AND NET ASSETS	$ 3,093,736	$ 2,761,401

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 2,357,867	$ 1,719,211
Grant revenue	487,006	383,826
Student fees	19,057	10,641
Contribution from Options in Education Foundation, Inc.	23,242	10,820
Other income	693	25,392
Total revenue and support	2,887,865	2,149,890
EXPENSES		
Program services	1,657,215	1,245,533
Management and general	714,444	704,276
Total expenses	2,371,659	1,949,809
CHANGE IN NET ASSETS	516,206	200,081
NET ASSETS, BEGINNING OF YEAR	761,126	561,045
NET ASSETS, END OF YEAR	$ 1,277,332	$ 761,126

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 686,545	$ 412,053	$ 1,098,598	$ 485,042	$ 391,463	$ 876,505
Employee benefits	218,237	130,983	349,220	161,065	129,990	291,055
Hope Source expenses	450,613	-	450,613	337,446	-	337,446
Occupancy	84,539	14,222	98,761	77,792	13,087	90,879
Equipment	42,667	-	42,667	29,565	-	29,565
Professional services	25,516	11,244	36,760	25,173	25,726	50,899
Depreciation	65,089	10,950	76,039	67,654	11,381	79,035
Classroom and office supplies	34,640	20,791	55,431	27,369	22,089	49,458
Authorizer oversight fees	-	44,451	44,451	-	32,360	32,360
Food service	15,094	-	15,094	-	-	-
Insurance	-	14,094	14,094	-	23,597	23,597
Transportation	4,906	2,945	7,851	2,080	1,678	3,758
Interest	-	17,571	17,571	-	22,727	22,727
Foundation expenses	23,242	-	23,242	10,820	-	10,820
Other	6,127	35,140	41,267	21,527	30,178	51,705
Total functional expenses	$ 1,657,215	$ 714,444	$ 2,371,659	$ 1,245,533	$ 704,276	$ 1,949,809

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 516,206	$ 200,081
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	76,039	79,035
Changes in certain assets and liabilities:		
Accounts receivable	-	34,165
Prepaid expenses	3,313	(8,012)
Accounts payable and accrued expenses	22,410	(42,155)
Refundable advance	(5,481)	9,550
Net cash provided by operating activities	612,487	272,664
INVESTING ACTIVITIES		
Purchases of property and equipment	(169,701)	(144,268)
FINANCING ACTIVITIES		
Principal paid on notes payable	(200,800)	(100,400)
NET CHANGE IN CASH	241,986	27,996
CASH, BEGINNING OF YEAR	667,146	639,150
CASH, END OF YEAR	$ 909,132	$ 667,146
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 18,575	$ 16,669

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Options Charter School - Noblesville, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves approximately 290 students in grades six to twelve by providing an alternative to traditional middle and high school programs.

The School partners with The Hope Source to provide students with autism a hybrid treatment-education model of learning. The School provides education services to clientele of The Hope Source at The Hope Source's facility.

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

Revenue Recognition – Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by 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.

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

Taxes on Income – Options Charter School - Noblesville, 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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

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 $1,500 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	40 years
Furniture and equipment	3 to 7 years

Subsequent Events – The School evaluated subsequent events through November 29, 2018, 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

The School has a $75,000 revolving line of credit with First Merchants Bank. Drawings against the line of credit bear interest at 2.5% above the lender's prime rate and are secured by all school assets. There was no balance outstanding under the line of credit as of June 30, 2018 or 2017.

NOTE 3 - REFUNDABLE ADVANCE

The School was awarded a grant from the Lilly Foundation, Inc. to establish comprehensive counseling services for students. The unused portion of the grant as of June 30, 2018 and 2017 was $4,069 and $9,550, respectively, and was shown as a refundable advance on the statements of financial position.

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2018	2017
Note payable to State Board of Education, payable $62,900 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in March 2016	$ 1,069,304	$ 1,195,104
Note payable to Options Charter School - Carmel, Inc., payable $37,500 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in March 2016	637,500	712,500
	1,706,804	1,907,604
Less: current portion	(200,800)	(200,800)
Long-term portion	$ 1,506,004	$ 1,706,804

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.

The note payable to Options Charter School - Carmel, Inc. ("Options - Carmel"), a related charter school, is also the result of the Common School Funds Charter School Innovation Fund Advancement program. Options - Carmel received a similar loan to the loan received by the School, and a portion of the loan was transferred to the School. The School has agreed to repay the loan following a similar payment schedule set by the State Board of Education.

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

2019	$ 200,800
2020	200,800
2021	200,800
2022	200,800
2023	200,800
Thereafter	702,804
	$ 1,706,804

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 received. Expense under this charter agreement was $44,451 and $32,360 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2023, and is renewable thereafter by mutual consent.

NOTE 6 - RELATED PARTIES

The School is related to Options - Carmel in that they have a common Board of Directors. Both schools advance amounts to each other as needed to meet cash flow requirements. The net balance due from Options - Carmel as of June 30, 2018 and 2017 was $16,904. Options - Carmel paid the School $15,386 during the year ended June 30, 2017, for a portion of the administrative expenses. The School received no such payment in 2018. The School is also contingently liable as a guarantor with respect to a $75,000 line of credit maintained by Options - Carmel. At June 30, 2018 and 2017, there was no balance outstanding under the line of credit. In addition, the School has a note payable to Options - Carmel as described in Note 4.

The School is affiliated with Options in Education Foundation, Inc. (the “Foundation”) in that the Foundation and the School have certain overlapping board members and that the Foundation solicits support and assistance to benefit the School. The School received financial assistance from the Foundation of $23,242 and $10,820 during the years ended June 30, 2018 and 2017, respectively.

During 2017, the School entered into a contract to perform remodeling services with a company related to the president of the School. The School paid the company $72,950 and $65,000 during the years ended June 30, 2018 and 2017, respectively. The School also employs several members of the president’s family. The School paid these individuals $4,813 and $27,242 during the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - 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 10.5% 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, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

Employees can also elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. The School contributes 10.5% of participant compensation to the 403(b) plan. Retirement plan expense was $117,677 and $95,731 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 - 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.

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018 and 2017, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits maintained at First Merchants Bank are insured up to the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

RENAISSANCE ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Renaissance Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Renaissance Academy, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

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, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 14, 2018

RENAISSANCE ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 336,172	$ 348,915
Grants receivable	82,450	74,926
Other receivables, net of allowance for doubtful accounts	60,314	49,057
Total current assets	478,936	472,898
PROPERTY AND EQUIPMENT		
Land	355,346	355,346
Buildings and improvements	697,021	681,121
Leasehold improvements	640,199	640,199
Furniture and equipment	153,124	150,409
Vehicles	57,916	57,916
Textbooks	26,698	26,698
Less: accumulated depreciation	(652,538)	(574,315)
Property and equipment, net	1,277,766	1,337,374
TOTAL ASSETS	$ 1,756,702	$ 1,810,272
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 72,034	$ 69,670
Accounts payable and accrued expenses	81,159	119,883
Deferred revenue	50,432	58,719
Refundable advance	-	10,365
Total current liabilities	203,625	258,637
LONG-TERM LIABILITIES		
Notes payable, net of current portion	449,928	521,496
Total liabilities	653,553	780,133
NET ASSETS, UNRESTRICTED		
Undesignated	347,345	283,931
Invested in property and equipment, net of related notes payable	755,804	746,208
Total net assets, unrestricted	1,103,149	1,030,139
TOTAL LIABILITIES AND NET ASSETS	$ 1,756,702	$ 1,810,272

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

RENAISSANCE ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,505,392	$ 1,427,745
Grant revenue	268,024	218,890
Student fees	231,533	220,512
Fundraising income	36,804	48,683
Other income	4,785	14,777
Total revenue and support	2,046,538	1,930,607
EXPENSES		
Program services	1,254,033	1,421,880
Management and general	719,495	605,643
Total expenses	1,973,528	2,027,523
CHANGE IN NET ASSETS	73,010	(96,916)
NET ASSETS, BEGINNING OF YEAR	1,030,139	1,127,055
NET ASSETS, END OF YEAR	$ 1,103,149	$ 1,030,139

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

RENAISSANCE ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 648,521	$ 367,484	$ 1,016,005	$ 707,511	$ 298,362	$ 1,005,873
Employee benefits	163,702	147,869	311,571	156,613	114,836	271,449
Professional services	36,570	21,676	58,246	27,087	21,810	48,897
Staff development and recruitment	40,075	-	40,075	53,630	-	53,630
Authorizer oversight fees	-	40,813	40,813	-	37,397	37,397
Transportation	515	635	1,150	616	100	716
Food costs	24,203	-	24,203	34,537	-	34,537
Classroom, kitchen, and office supplies	24,762	15,821	40,583	42,789	19,146	61,935
Field trips and events	54,720	-	54,720	75,685	-	75,685
Occupancy	137,556	-	137,556	146,123	-	146,123
Repairs and maintenance	40,920	-	40,920	64,526	-	64,526
Depreciation	78,223	-	78,223	78,986	-	78,986
Interest	-	28,087	28,087	-	30,359	30,359
Insurance	-	42,384	42,384	-	35,119	35,119
Bad debt	-	9,253	9,253	-	8,345	8,345
Loss on failure to submit grant	-	-	-	27,416	-	27,416
Other	4,266	45,473	49,739	6,361	40,169	46,530
Total functional expenses	$ 1,254,033	$ 719,495	$ 1,973,528	$ 1,421,880	$ 605,643	$ 2,027,523

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

RENAISSANCE ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 73,010	$ (96,916)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	78,223	78,986
Gain from disposal of property and equipment	-	(3,035)
Change in certain assets and liabilities:		
Grants receivable	(7,524)	(5,255)
Other receivables	(11,257)	(13,622)
Accounts payable and accrued expenses	(38,724)	42,989
Deferred revenue	(8,287)	(716)
Refundable advance	(10,365)	10,365
Net cash provided by operating activities	75,076	12,796
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	8,604
Purchases of property and equipment	(18,615)	(44,225)
Net cash used in financing activities	(18,615)	(35,621)
FINANCING ACTIVITIES		
Principal payments on notes payable	(69,204)	(66,932)
NET CHANGE IN CASH	(12,743)	(89,757)
CASH, BEGINNING OF YEAR	348,915	438,672
CASH, END OF YEAR	$ 336,172	$ 348,915
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 28,087	$ 30,359

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Renaissance Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves approximately 250 students in grades kindergarten to eight. 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. 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.

Program and activity fees are paid by families based on the number of children enrolled in the activities selected, and are recognized in the year to which the payments pertain.

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 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 $46,675 and $52,250 as of June 30, 2018 and 2017, 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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

Reclassifications – Certain figures for 2017 that were previously reported have been reclassified for comparative purposes. These reclassifications had no impact on the previously reported net assets.

Subsequent Events – The School evaluated subsequent events through November 14, 2018, 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 - REFUNDABLE ADVANCE

The School has been awarded grants to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2017, the School had refundable grant advances in excess of expenditures of $10,365. There were no refundable advances at June 30, 2018.

NOTE 3 - NOTES PAYABLE

Notes payable were comprised of the following at June 30:

	2018	2017
Note payable to 1st Source Bank, payable in monthly installments of $3,575 including interest at 1.8% per annum through January 2020, secured by assets purchased with the note proceeds and guaranteed by the school facility landlord (see Note 4)	$ 67,299	$ 108,563
Mortgage note payable to 1st Source Bank, payable in monthly installments of $4,532 including interest at 5.55% per annum through September 2019, with a lump-sum payment of $417,381 due October 2019, secured by a mortgage on school facilities	454,663	482,603
	521,962	591,166
Less: current portion	(72,034)	(69,670)
Long-term portion	$ 449,928	$ 521,496

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

2019	$ 72,034
2020	449,928
	$ 521,962

NOTE 4 – 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 $103,572 and $102,348 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 – RELATED 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:

2019	$	98,292
2020		98,292
2021		98,292
2022		98,292
2023		98,292
Thereafter		393,168

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 payments received. Expense under this charter agreement was $40,813 and $37,397 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent.

NOTE 6 - 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, the School contributed 7.5% 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, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was $81,878 and $70,873 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - 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, 2018, 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 FDIC insurance up to the legal limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

RENAISSANCE ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2018

The report presented herein was prepared in addition to another official report prepared for the School 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.

SUPPLEMENTAL AUDIT REPORT
OF
RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Ann Bates	07/01/17 – 06/30/18
Head of School	Kieran McHugh	07/01/17 – 06/30/18
Treasurer	Heidi Potucek	07/01/17 – 06/30/18

The Board of Directors
Renaissance Academy, Inc.

We have audited the financial statements of Renaissance Academy, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated November 14, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 14, 2018

RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

RECEIPTS AND DEPOSITS

The School receives cash for various purposes including textbook fees, field trips, enrollment, fundraising, and various other items. Procedures were in place to process cash collections; however, we noted 11 instances in our sample of 25 cash receipt transactions where the bank deposit was not made in a timely manner. The span of time between the date of collection and the date of deposit ranged from 6 to 17 days.

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, Part 8)

REQUIRED REPORTS

The School submits a Form 9 Biannual Financial Report two times per year. Upon review of the submitted Form 9s we determined that the fund activity reported on the Form 9 does not accurately reflect fund activity during the year.

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on November 8, 2018 with Lori Gayheart (Business Manager), Tina Bushue (Accountant), Kieran McHugh (Head of School), and Jack Stewart (Board Member). The Official Response has been made a part of this report and may be found on page 5.

SUPPLEMENTAL AUDIT REPORT RESPONSES

RECEIPTS AND DEPOSITS

The accountant employed by Renaissance is part-time. It is cost and time prohibitive for a bank deposit to be made daily. Deposits are typically made on a weekly basis unless payments are received immediately prior to school breaks, such as in the winter and spring, or during the summer, when it would be fiscally irresponsible to compensate our part-time accountant to come in to deposit small amounts of money. Monies waiting to be deposited are kept in a secure office in a secure cabinet accessible only to authorized personnel. Barring any unusual circumstances such as the school being on break, or the accountant being absent, deposits will routinely be made every week.

REQUIRED REPORTS

While Renaissance makes every effort to code expenses to the appropriate fund account at the time of input, occasionally transactions must be recoded after the financial period has already been reported on the Form 9. Renaissance will continue to make every effort to have the Form 9 accurately reflect fund activity during the year.

Submitted by:

Lori Gayheart
Chief Administrator

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(219) 878-8711 www.rschool.net info@rschool.net

ROCK CREEK COMMUNITY ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan CPAs

TABLE OF CONTENTS

Donovan *CPAs*

Independent Auditors' Report

The Board of Directors
Rock Creek Community Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Rock Creek Community Academy, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rock Creek Community Academy, Inc. as of June 30, 2018 and 2017, 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 1, 2018

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 1,030,522	$ 1,002,012
Grants receivable	3,562	10,700
Prepaid expenses	51,030	54,457
Total current assets	1,085,114	1,067,169
SECURITY DEPOSIT	4,000	4,000
PROPERTY AND EQUIPMENT		
Construction in progress		
Land	1,196,153	-
Construction and other costs	661,826	-
Leasehold improvements	555,013	555,013
Furniture and equipment	592,022	586,602
Textbooks	402,513	358,464
Less: accumulated depreciation	(1,389,085)	(1,218,746)
Property and equipment, net	2,018,442	281,333
TOTAL ASSETS	$ 3,107,556	$ 1,352,502
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ 1,456,441	$ -
Accounts payable and accrued expenses	352,233	270,752
Construction costs payable	186,150	-
Deferred revenue	126,361	116,304
Refundable advances	-	1,333
Total current liabilities	2,121,185	388,389
NET ASSETS		
Unrestricted		
Undesignated	547,981	649,430
Invested in property and equipment, net of line of credit and construction costs payable	375,851	281,333
Total unrestricted	923,832	930,763
Temporarily restricted	62,539	33,350
Total net assets	986,371	964,113
TOTAL LIABILITIES AND NET ASSETS	$ 3,107,556	$ 1,352,502

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

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 3,040,013	$ -	$ 3,040,013	$ 3,150,312	$ -	$ 3,150,312
Grant revenue	511,887	-	511,887	514,131	-	514,131
Student fees	180,662	94,722	275,384	252,046	49,286	301,332
Contributions	6,980	1,380	8,360	15,950	3,950	19,900
Fundraising income	48,789	38,347	87,136	33,271	68,153	101,424
Net assets released from restrictions	105,260	(105,260)	-	134,613	(134,613)	-
Total revenue and support	3,893,591	29,189	3,922,780	4,100,323	(13,224)	4,087,099
EXPENSES						
Program services	3,453,031	-	3,453,031	3,403,741	-	3,403,741
Management and general	620,141	-	620,141	637,130	-	637,130
Total expenses	4,073,172	-	4,073,172	4,040,871	-	4,040,871
CHANGE IN NET ASSETS FROM OPERATIONS	(179,581)	29,189	(150,392)	59,452	(13,224)	46,228
In-kind donation of land	193,000	-	193,000	-	-	-
Loss due to irrecoverable earnest money for land	(20,350)	-	(20,350)	-	-	-
CHANGE IN NET ASSETS	(6,931)	29,189	22,258	59,452	(13,224)	46,228
NET ASSETS, BEGINNING OF YEAR	930,763	33,350	964,113	871,311	46,574	917,885
NET ASSETS, END OF YEAR	$ 923,832	$ 62,539	$ 986,371	$ 930,763	$ 33,350	$ 964,113

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

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,585,832	$ 317,959	$ 1,903,791	$ 1,544,350	$ 325,972	$ 1,870,322
Employee benefits	401,087	66,269	467,356	369,696	66,296	435,992
Staff development	2,539	-	2,539	31,682	-	31,682
Professional services	435,781	70,489	506,270	409,592	75,586	485,178
Repairs and maintenance	51,205	5,109	56,314	39,244	-	39,244
Authorizer oversight fees	-	73,084	73,084	-	75,709	75,709
Food costs	51,803	-	51,803	53,322	-	53,322
Equipment	48,160	-	48,160	50,983	-	50,983
Classroom, kitchen, and office supplies	240,763	7,967	248,730	219,502	19,031	238,533
Occupancy	340,118	-	340,118	373,898	-	373,898
Depreciation	170,339	-	170,339	195,803	-	195,803
Field trips	45,011	-	45,011	53,840	-	53,840
Interest	-	-	-	-	661	661
Insurance	-	32,799	32,799	-	34,574	34,574
Advertising	-	29,286	29,286	-	18,342	18,342
Other	80,393	17,179	97,572	61,829	20,959	82,788
Total functional expenses	$ 3,453,031	$ 620,141	$ 4,073,172	$ 3,403,741	$ 637,130	$ 4,040,871

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

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 22,258	$ 46,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,339	195,803
In-kind donation of land	(193,000)	-
Change in certain assets and liabilities:		
Grants receivable	7,138	27,529
Accounts receivable	-	3,858
Prepaid expenses	3,427	(19,496)
Accounts payable and accrued expenses	81,481	34,422
Deferred revenue	10,057	(10,906)
Refundable advances	(1,333)	1,333
Net cash provided by operating activities	100,367	278,771
INVESTING ACTIVITIES		
Purchases of property and equipment	(49,469)	(61,857)
Payments for construction in progress	(1,478,829)	-
Net cash used in investing activities	(1,528,298)	(61,857)
FINANCING ACTIVITIES		
Principal repayments of note payable	-	(18,567)
Proceeds from line of credit	1,456,441	-
Net cash provided by (used in) investing activities	1,456,441	(18,567)
NET CHANGE IN CASH	28,510	198,347
CASH, BEGINNING OF YEAR	1,002,012	803,665
CASH, END OF YEAR	$ 1,030,522	$ 1,002,012
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ -	$ 661
NON CASH TRANSACTIONS		
In-kind donation of land	193,000	-
Construction costs in liabilities	186,150	

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Rock Creek Community Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School, located in Sellersburg, Indiana, provided educational instruction to approximately 460 students in grades kindergarten to twelve during the 2017-2018 academic 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 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 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.

Grants Receivable – Grants receivable 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.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.

- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Contributions and Fees – The School receives resources from participation 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 restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

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 $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	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 building and are carried at cost. Cost includes land, related acquisition expenses, development/construction costs and other direct expenditures.

Borrowing Costs – Cost of borrowings acquired generally or specifically to finance the construction or development of the School properties are capitalized to the carrying costs pertaining to such properties.

Deferred Revenue – Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

Taxes on Income – Rock Creek Community 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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 1, 2018, 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

During June 2018, the School entered into a line of credit arrangement with PNC Bank. The line of credit is secured by substantially all assets of the School. Interest on the line of credit is charged at LIBOR plus 2.50% (a total of 4.60% at June 30, 2018). The line of credit matures in December 2018. The balance of the line of credit at June 30, 2018 was $1,456,441. See Note 10 for management's plan to refinance the line of credit with a bond offering.

NOTE 3 - REFUNDABLE ADVANCES

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2017, the School had refundable grant advances in excess of expenditures of $1,333. There were no refundable advances at June 30, 2018.

NOTE 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets represent resources received from students and donors but not expended for the restricted purposes as of June 30, 2018 and 2017. Temporarily restricted net assets were available for the following purposes as of June 30:

	2018	2017
Fun run	$ 21,536	$ -
Character counts	16,536	8,783
Grade level funds	11,333	12,873
Other	13,134	11,694
Total	$ 62,539	$ 33,350

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purpose. The following purpose restrictions were accomplished during the years ended June 30:

	2018	2017
Fun run	$ 893	$ -
Character counts	21,898	34,666
Grade level funds	65,056	73,960
Other	17,413	25,987
Total	$ 105,260	$ 134,613

NOTE 5 - LEASES

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Under the facility lease, the School is also responsible for repairs, maintenance, and utilities. Total expense under these operating leases for 2018 and 2017 was $294,426 and $302,453, respectively. Minimum future rental payments as of June 30, 2018 for all operating leases with noncancellable lease terms in excess of one year are as follows for the years ending June 30:

2019	$ 317,808
2020	205,288
2021	44,568

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, 2018 and 2017 was $135,675 and $134,537, 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, 2020 and is renewable thereafter by mutual consent. Payments under this charter agreement were $73,084 and $75,709 for the years ended June 30, 2018 and 2017, respectively.

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, 2018, substantially all of the grants receivable balance was due from the State of Indiana. Cash deposits are maintained at New Washington State Bank and normally exceed the FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

NOTE 10 - SUBSEQUENT EVENT

Pursuant to a Trust Indenture agreement dated September 1, 2018, Indiana Finance Authority (the ''Issuer'') agreed to issue Educational Facilities Revenue Bonds (Series 2018A Bonds and Series 2018B Bonds) for Rock Creek Community Academy Project to US Bank National Association (the "Trustee"). Educational Facilities Revenue Bonds (Series 2018A Bonds) will be issued in aggregate principal amount of $14,450,000 and Taxable Educational Facilities Revenue Bonds (Series 2018B) will be issued in aggregate principal amount of $200,000. Following are other relevant terms in relation to such agreement:

a) The Series 2018A Bonds and Series 2018B Bonds will be issued in authorized denominations of $100,000 and integral multiples of $5,000 in excess thereof.
b) The bonds will bear interest payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2019, until maturity or earlier redemption. Interest rates on various bonds will be between the range of 5.10% and 6.375%.
c) The Series 2018A Bonds maturing on or after July 1, 2029 are subject to optional redemption prior to the maturity on any date on and after July 1, 2028 at a price of par plus accrued interest to the redemption date. The Series 2018B Bonds are not subject to optional redemption prior to the maturity.
d) The Series 2018A Bonds and Series 2018B Bonds are subject to mandatory sinking fund redemption in advance of their maturity at the price of par plus accrued interest to the redemption date.

Pursuant to the terms of the loan agreement dated September 1, 2018, the Issuer will loan the proceeds of the Series Bonds to the School for following purposes:

a) To finance and refinance the acquisition, construction, and equipping of a new educational facility;
b) To pay capitalized interest on the Series 2018 Bonds;
c) To fund a reserve fund for Series 2018 Bonds; and
d) To pay certain costs associated with the issuance of Series 2018 Bonds.

Pursuant to the Master Indenture dated September 1, 2018, the School will issue the Series 2018 Note to the Issuer to secure its obligations under the loan agreement. Such Series 2018 Note will be in principal amount equal to the aggregate principal amount of Series 2018 Bonds and such Series 2018 Note will be assigned by the Issuer to the Trustee. All payments by the School on the Series 2018 Note will be made to the Trustee and each payment will be made on or before the date when the corresponding payment is required to be made on the Series 2018 Bonds. The Series 2018 Note and all other notes and guarantees issued under the Master Indenture are special and limited obligations of the School and these are payable from the gross revenues and other properties pledged under the Master Indenture including right title and interest in the revenue fund.

ROCK CREEK COMMUNITY ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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.*

SUPPLEMENTAL AUDIT REPORT

OF

ROCK CREEK COMMUNITY ACADEMY, INC.

CLARK COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

ROCK CREEK COMMUNITY ACADEMY, INC.
CLARK COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
Director of Accounting	Karen Rogers	07/01/17 – 06/30/18
Principal	Sara Hauselman	07/01/17 – 06/30/18
Board Chairman	Jeff Dethy	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
Rock Creek Community Academy, Inc.

We have audited the financial statements of Rock Creek Community Academy, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated November 1, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 1, 2018

www.cpadonovan.com
Westside Office | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411
Northside Office | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with School personnel, we determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

ROCK CREEK COMMUNITY ACADEMY, INC.
CLARK COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on October 18, 2018 with Karen Rogers (Director of Accounting) and Susan Miller (Business Manager). The Official Response has been made a part of this report and may be found on page 5.

Rock Creek Community Academy

11525 Highway 31 • Sellersburg, IN 47172 • 812-246-9271 • www.rccasi.org

'November1, 2018

Donovan CPAs

9292 N Meridian Street, STE: 150

Indianapolis, IN 46260

To Whom It May Concern:

Rock Creek Community Academy having finished its audit exit conference with Donovan CPAs, acknowledges the one finding that the auditors have cited, which pertains to Minimum Control Standards. Subsequent to this finding, Rock Creek's Board of Directors has adopted as of October 15, 2018, an Internal Controls Guidebook which contains policies and procedures that the school will follow from that date forward. Our personnel will be trained on this policy and taught the procedures.

Sincerely,

Susan J Miller

Susan J Miller

Treasurer

RCCA

RURAL COMMUNITY SCHOOLS, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan
CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Rural Community Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Community Schools, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Community Schools, Inc. as of June 30, 2018 and 2017 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
November 13, 2018

RURAL COMMUNITY SCHOOLS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 631,631	$ 558,248
Grants receivable	68,039	16,264
Total current assets	699,670	574,512
PROPERTY AND EQUIPMENT		
Leasehold improvements	170,297	145,820
Furniture and equipment	315,379	315,379
Textbooks and library books	79,430	70,625
Less: accumulated depreciation	(339,006)	(295,380)
Property and equipment, net	226,100	236,444
TOTAL ASSETS	$ 925,770	$ 810,956
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 68,775	$ 65,892
Refundable advances	-	2,865
Total current liabilities	68,775	68,757
NET ASSETS, UNRESTRICTED		
Undesignated	630,895	505,755
Invested in property and equipment	226,100	236,444
Total net assets, unrestricted	856,995	742,199
TOTAL LIABILITIES AND NET ASSETS	$ 925,770	$ 810,956

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

RURAL COMMUNITY SCHOOLS, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,365,830	$ 1,298,986
Grant revenue	352,366	308,713
Student fees	40,091	37,369
Extracurricular activities revenue	37,065	33,353
Contributions	3,227	9,068
Other income	1,949	9,956
Total revenue and support	1,800,528	1,697,445
EXPENSES		
Program services	1,373,685	1,353,139
Management and general	312,047	275,407
Total expenses	1,685,732	1,628,546
CHANGE IN NET ASSETS	114,796	68,899
NET ASSETS, BEGINNING OF YEAR	742,199	673,300
NET ASSETS, END OF YEAR	$ 856,995	$ 742,199

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

RURAL COMMUNITY SCHOOLS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 727,574	$ 161,551	$ 889,125	$ 777,171	$ 136,841	$ 914,012
Employee benefits	196,711	41,564	238,275	181,896	36,948	218,844
Staff development	6,328	-	6,328	10,574	-	10,574
Professional services	60,028	5,586	65,614	41,838	4,656	46,494
Textbooks and education materials	7,017	-	7,017	5,622	-	5,622
Authorizer oversight fees	-	27,841	27,841	-	25,872	25,872
Food costs	80,106	-	80,106	77,667	-	77,667
Transportation	31,841	1,459	33,300	25,949	387	26,336
Equipment and rentals	27,641	23,036	50,677	22,602	19,951	42,553
Classroom, kitchen, and office supplies	29,990	15,580	45,570	20,347	15,689	36,036
Extracurricular activities	43,428	-	43,428	37,948	-	37,948
Occupancy	118,399	3,615	122,014	101,291	4,144	105,435
Depreciation	43,626	-	43,626	49,690	-	49,690
Insurance	-	18,713	18,713	-	17,918	17,918
Advertising	-	3,235	3,235	-	4,481	4,481
Other	996	9,867	10,863	544	8,520	9,064
Total functional expenses	$ 1,373,685	$ 312,047	$ 1,685,732	$ 1,353,139	$ 275,407	$ 1,628,546

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

RURAL COMMUNITY SCHOOLS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 114,796	$ 68,899
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,626	49,690
Change in certain assets and liabilities:		
Grants receivable	(51,775)	(13,652)
Accounts payable and accrued expenses	2,883	9,942
Refundable advances	(2,865)	2,865
Net cash provided by operating activities	106,665	117,744
INVESTING ACTIVITIES		
Purchases of property and equipment	(33,282)	(69,170)
NET CHANGE IN CASH	73,383	48,574
CASH, BEGINNING OF YEAR	558,248	509,674
CASH, END OF YEAR	$ 631,631	$ 558,248

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

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Rural Community Schools, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School provides educational instruction to approximately 170 students 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 generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by 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 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.

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.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Taxes on Income – Rural Community Schools, 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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

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 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

Subsequent Events – The School evaluated subsequent events through November 13, 2018, 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 - REFUNDABLE ADVANCES

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2017 the School had refundable grant advances in excess of expenditures of $2,865. No such refundable advances existed as of June 30, 2018.

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. The School is also responsible for the cost of utilities and maintenance, which approximates $2,750 monthly. Rent expense for the years ended June 30, 2018 and 2017 was $21,774 and $19,951, 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 $27,841 and $25,872 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

NOTE 5 - 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 7.5% of compensation for eligible teaching personnel to TRF and 11.2% 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, 2017 (the latest year reported), TRF was more than 80% funded.

Retirement plan expense was $67,502 and $66,483 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - 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 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, 2018 and 2017, 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 FDIC insurance limit.

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. Accordingly, certain expenses have been allocated between program services and management and general expenses.

RURAL COMMUNITY SCHOOLS, INC.
OTHER REPORT
For the Year Ended June 30, 2018

The report presented herein was 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.*

SUPPLEMENTAL AUDIT REPORT

OF

RURAL COMMUNITY SCHOOLS, INC.

SULLIVAN COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Meleah Sullivan	07/01/17 – 06/30/18
School Leader	Tanna Jo Weszely	07/01/17 – 06/30/18
Chief Financial Officer	Leona Davis	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
Rural Community Schools, Inc.

We have audited the financial statements of Rural Community Schools, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated November 13, 2018. 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 13, 2018

PAYROLL COMPLIANCE

The School has part-time employees who complete timecards to keep track of hours worked. In our sample of fifteen contracts, seven pertained to part-time employees. From this sample of seven part-time employees, none of the timecards tested contained a supervisor's signature.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the School was not in compliance with the minimum internal control requirements as set forth by IC 5-11-1-27(g). The standards were adopted, but personnel did not receive training.

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on November 13, 2018, with Meleah Sullivan (Board President), Derek Grant (School Leader), Leona Davis (CFO), Mike Pierce (Compliance Officer), and Susie Pierce (Board Consultant). The official response has been made a part of this report and may be found 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

November 13, 2018

To: Donovan, Certified Public Accountants and Advisors

You have audited the financial statements of Rural Community Schools, Inc. dba Rural Community Academy, as of and for the year ended June 30, 2018 and have issued your report thereon dated November 5, 2018. As part of your audit, you 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 you found we were not in compliance. Below is our response to those compliance findings.

PAYROLL COMPLIANCE

With the advent of a new school leader/chief operations officer and a new chief academics officer, it is apparent that they did not comprehend the importance of authoring their signatures on timesheets to show they had reviewed and agreed with the data. The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, will show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

MINIMUM INTERNAL CONTROL STANDARDS

The School was not in compliance with the minimum internal control requirements as set forth by IC 5-11-1-27(g). The standards were adopted, but personnel did not receive training. That training will begin immediately for all bonded employees.

Respectfully submitted,

Meleah Sullivan
Meleah Sullivan
President, Rural Community Schools Inc

Leona Davis
Leona Davis
Chief Financial Officer, RCA

INDIANA SCHOOLS OF EXCELLENCE, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

Donovan
CPAs

TABLE OF CONTENTS

Donovan CPAs

Independent Auditors' Report

The Board of Directors
Indiana Schools of Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Schools of Excellence, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and change in net deficiency, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Schools of Excellence, Inc. as of June 30, 2018 and 2017, and the changes in its net deficiency, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding School Closure

As discussed in Note 1 to the financial statements, the School ceased operations as of June 30, 2018. The organization is in the process of liquidation; however, the accompanying financial statements have not been adjusted to reflect the liquidation basis of accounting. There is no assurance that the organization will be able to meet its financial obligations.

DONOVAN

Donovan

Indianapolis, Indiana
January 30, 2019

INDIANA SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 68,925	$ 33,075
Grants receivable	3,735	95,487
Prepaid expenses	980	980
Total current assets	73,640	129,542
PROPERTY AND EQUIPMENT		
Land	150,000	150,000
Buildings and improvements	2,476,851	2,476,851
Furniture and equipment	809,547	809,547
Less: accumulated depreciation	(1,979,801)	(1,787,584)
Property and equipment, net	1,456,597	1,648,814
TOTAL ASSETS	$ 1,530,237	$ 1,778,356
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of notes payable	$ 1,717,816	$ 1,829,759
Trade payables	39,912	39,096
Other payable	208,170	208,578
Accrued payroll and related liabilities	87,998	136,309
Total current liabilities	2,053,896	2,213,742
NET DEFICIENCY, UNRESTRICTED	(523,659)	(435,386)
TOTAL LIABILITIES AND NET DEFICIENCY	$ 1,530,237	$ 1,778,356

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

INDIANA SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICIENCY

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 1,419,781	$ 1,519,128
Grant revenue	412,187	545,995
Student fees	7,028	8,861
Other income	1,128	3,919
Total revenue and support	1,840,124	2,077,903
EXPENSES		
Program services	1,418,064	1,621,108
Management and general	510,333	533,879
Total expenses	1,928,397	2,154,987
CHANGE IN NET DEFICIENCY	(88,273)	(77,084)
NET DEFICIENCY, BEGINNING OF YEAR	(435,386)	(358,302)
NET DEFICIENCY, END OF YEAR	$ (523,659)	$ (435,386)

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

INDIANA SCHOOLS OF EXCELLENCE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 665,629	$ 240,981	$ 906,610	$ 815,746	$ 217,509	$ 1,033,255
Employee benefits	208,758	48,543	257,301	253,950	60,096	314,046
Staff development and recruitment	5,524	-	5,524	8,370	1,916	10,286
Depreciation	192,216	-	192,216	218,762	-	218,762
Food service expense	65,840	-	65,840	74,304	-	74,304
Insurance	-	13,841	13,841	-	17,815	17,815
Interest	-	97,643	97,643	-	120,284	120,284
Occupancy	48,193	-	48,193	49,899	-	49,899
Professional services	123,635	77,326	200,961	99,172	61,339	160,511
Repairs and maintenance	26,790	-	26,790	14,397	-	14,397
Classroom and office supplies	33,857	18,999	52,856	23,050	14,796	37,846
Information technology	44,970	-	44,970	54,938	-	54,938
Travel	1,991	722	2,713	8,520	-	8,520
Write off of other receivable	-	-	-	-	34,927	34,927
Other	661	12,278	12,939	-	5,197	5,197
Total functional expenses	$ 1,418,064	$ 510,333	$ 1,928,397	$ 1,621,108	$ 533,879	$ 2,154,987

INDIANA SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net deficiency	$ (88,273)	$ (77,084)
Adjustments to reconcile change in net deficiency to net cash provided by operating activities:		
Depreciation	192,216	218,762
Change in certain assets and liabilities:		
Grants receivable	91,752	(75,209)
Other receivable	-	34,927
Prepaid expenses	-	4,400
Trade payables	816	(32,347)
Other payable	(408)	21,292
Accrued payroll and related liabilities	(48,311)	(18,214)
Net cash provided by operating activities	147,792	76,527
FINANCING ACTIVITIES		
Principal payments on notes payable	(111,942)	(115,000)
NET CHANGE IN CASH	35,850	(38,473)
CASH, BEGINNING OF YEAR	33,075	71,548
CASH, END OF YEAR	$ 68,925	$ 33,075

	2018	2017
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 97,643	$ 120,284

INDIANA SCHOOLS OF EXCELLENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana Schools of Excellence, Inc. (the "School") was a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operated a public charter school (Xavier School of Excellence) established under Indiana Code 20-24 and was sponsored by Ball State University. During the 2017-2018 school year, the School served approximately 190 students from kindergarten through eighth grade. Effective June 30, 2018, the School ceased operations.

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.

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 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 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.

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	10 to 15 years
Furniture and equipment	5 to 7 years

Taxes on Income – Indiana Schools of Excellence, 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, 2018 and 2017, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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 tax years ending after 2014 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through January 30, 2019, 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 consists of the following at June 30:

	2018	2017
Note payable to United Bank, payable $6,774 monthly, including interest at 3.0% per annum, matured April 2018, secured by all business assets	$ 217,816	$ 287,523
Note payable to Charter School Development Corporation, payable $3,835 monthly, including interest at 7.5% per annum, matured April 2018, paid in full	-	42,236
Note payable to IFF, interest only payable monthly at 6.5% per annum, matured in May 2018, secured by real estate	1,500,000	1,500,000
	1,717,816	1,829,759
Less: current portion	(1,717,816)	(1,829,759)
Long-term portion	$ -	$ -

NOTE 3 - OTHER PAYABLE

The School contracted with Food Service Professionals ("FSP") to provide food service on-site to its students and employees. The School terminated its contract with FSP as of June 30, 2017. The School has a payable to FSP totaling $208,170 and $208,578 as of June 30, 2018 and 2017, respectively.

NOTE 4 - RETIREMENT PLAN

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 7.5% 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, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was $67,197 and $70,917 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 - COMMITMENTS

The School operated under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercised certain oversight responsibilities. Under this charter, the School agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. Payments under this agreement for the years ended June 30, 2018 and 2017 were $32,907 and $31,215, respectively. The charter expired effective June 30, 2018 and was not renewed by Ball State University.

NOTE 6 - RISKS AND UNCERTAINTIES

The School provided education services to families residing in St. Joseph and surrounding counties in Indiana, and was subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues related 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, 2018, the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at Notre Dame Federal Credit Union and occasionally exceed the FDIC insurance limit.

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 deficiency. Accordingly, certain expenses have been allocated between program services and management and general expenses.

INDIANA SCHOOLS OF EXCELLENCE, INC.
OTHER REPORT
For the Year Ended June, 30 2018

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

Supplemental Audit Report of Indiana Schools of Excellence, 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

OF

INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

July 1, 2017 to June 30, 2018

Donovan CPAs

TABLE OF CONTENTS

INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

School Officials

July 1, 2017 to June 30, 2018

Office	Official	Term
President of Board of Directors	Yolanda Turner-Smith	07/01/17 – 06/30/18
School Leader	Samantha Smith	07/01/17 – 06/30/18
Financial Manager	Robert Doctor	07/01/17 – 06/30/18

Donovan CPAs

The Board of Directors
Indiana Schools of Excellence, Inc.

We have audited the financial statements of Indiana Schools of Excellence, Inc. (the “School”) as of and for the year ended June 30, 2018, and have issued our report thereon dated January 30, 2019. 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.

DONOVAN

Donovan

Indianapolis, Indiana
January 30, 2019

www.cpadonovan.com
Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411
Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

RECORD RETENTION

We were unable to conduct testing related to compliance with the provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts due to the lack of records and documentation of business and financial transactions. The School ceased operations in June 2018. Adequate provisions were not made to retain school records in a satisfactory manner for retrieval, specifically:

1. Student counts
2. Textbook reimbursement claim support

Charter school administrators must be cognizant of their duties of care, loyalty, and obedience. The duty of care requires administrators to be familiar with charter school's finances and activities and to participate regularly in its operations. Duty of loyalty requires that any conflict of interest, real or possible, always be disclosed in advance of being employed and when they arise. A charter school had the duty to insure that the school complies with applicable laws and regulations and its internal policies and procedures. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CAPITAL ASSETS

The School did not conduct a formal capital assets inventory in 2018.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory shall be taken for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 15)

VENDOR DISBURSEMENTS

The School did not use accounts payable vouchers.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: Charter schools may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

Officials and employees are required to use State Board of Accounts prescribed or approved Forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

REQUIRED REPORTS

Upon review of the submitted Form 9s it was determined that the beginning and ending cash balances reported on the Form 9 did not tie to the corresponding cash balances as reported in the financial statements. In addition, the fund activity reported on the Form 9 does not accurately reflect fund activity during the year.

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. 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, Part 9)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

RECEIPTS AND DEPOSITS

We selected a sample of 25 receipts from receipt books maintained by the School. Per review, we noted the following compliance issues:

1. The School was unable to provide deposit support for five receipts.
2. Four of the receipts were written after the deposit date, meaning the receipt was not issued at the time of transaction.
3. Four of the receipts were not deposited in a timely manner.

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, Part 8)

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

Exit Conference

July 1, 2017 to June 30, 2018

The contents of this report were discussed on January 30, 2019 with Robert Doctor (Finance Manager). The Official Response has been made a part of this report and may be found on page 7.

Xavier School of Excllence
3423 S. Michigan Street
South Bend, Indiana 46614

January 30, 2019

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

RE: 2017-2018 Xavier School of Excellence Audit Findings

Dear Sir or Madame,

Xavier School of Excellence has closed (effective June 30, 2018), and no further action on these findings is applicable."

Robert Doctor, Interim Business Manager