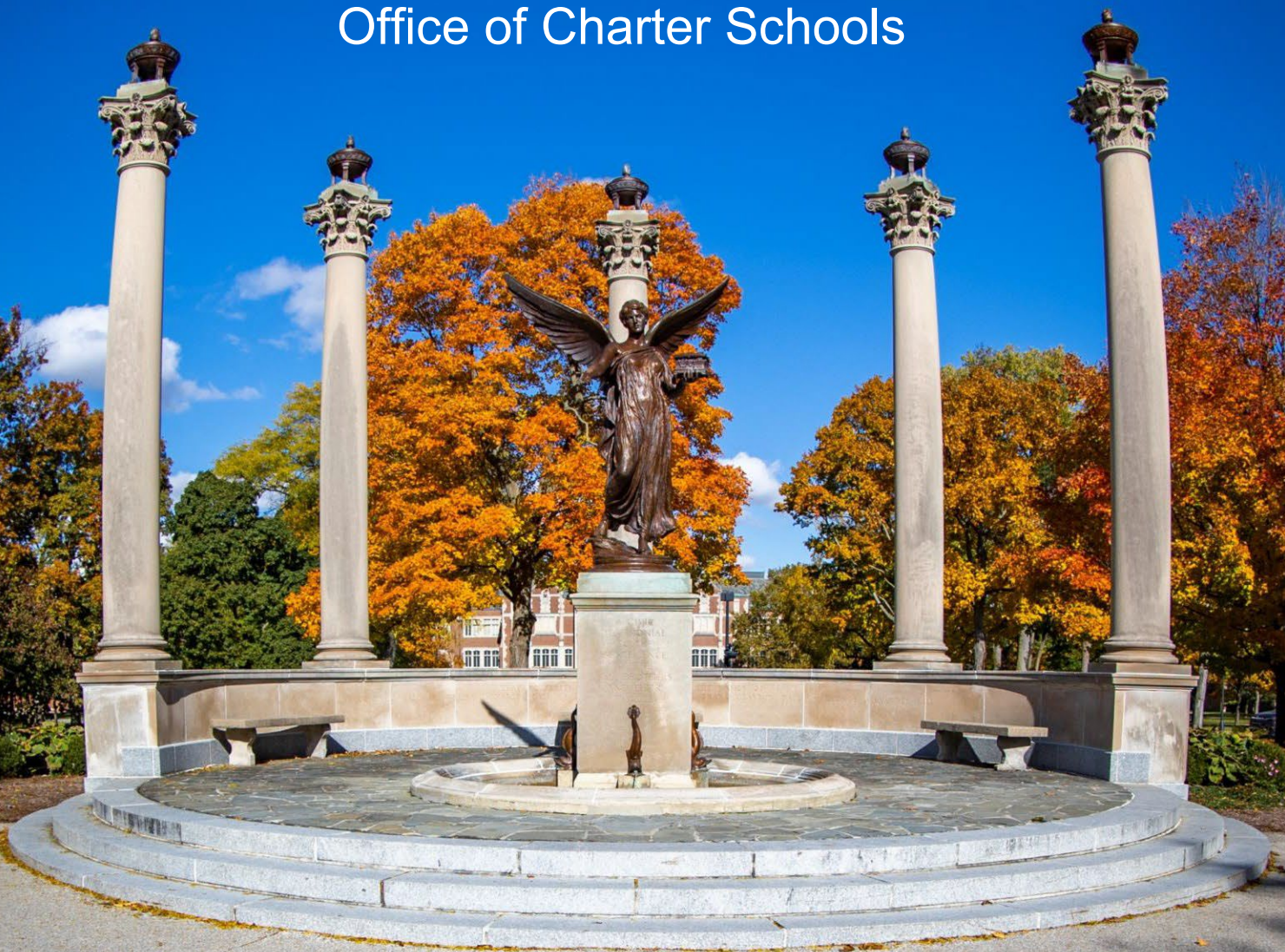




# BALL STATE UNIVERSITY

2021-2022

Office of Charter Schools







# BALL STATE UNIVERSITY

## Office of Charter Schools

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**Ball State University Office of Charter Schools**

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

# LETTER FROM THE ASSOCIATE DEAN FOR EQUITY AND ENGAGEMENT

BSU Office of Charter Schools



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

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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Kendra Lowery". The signature is fluid and cursive, written in a professional style.

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

# ACCOUNTABILITY REPORT CONTENT

BSU Office of Charter Schools

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## Overview

Purpose of the Accountability Report  
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Ball State Charter Schools  
2021-22 Student Enrollment (BSU)  
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## General Information

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

## Comprehensive Review of BSU Charter Schools\*



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

# PURPOSE OF THE ACCOUNTABILITY REPORT

## of BSU Charter Schools

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

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

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

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



# OVERVIEW

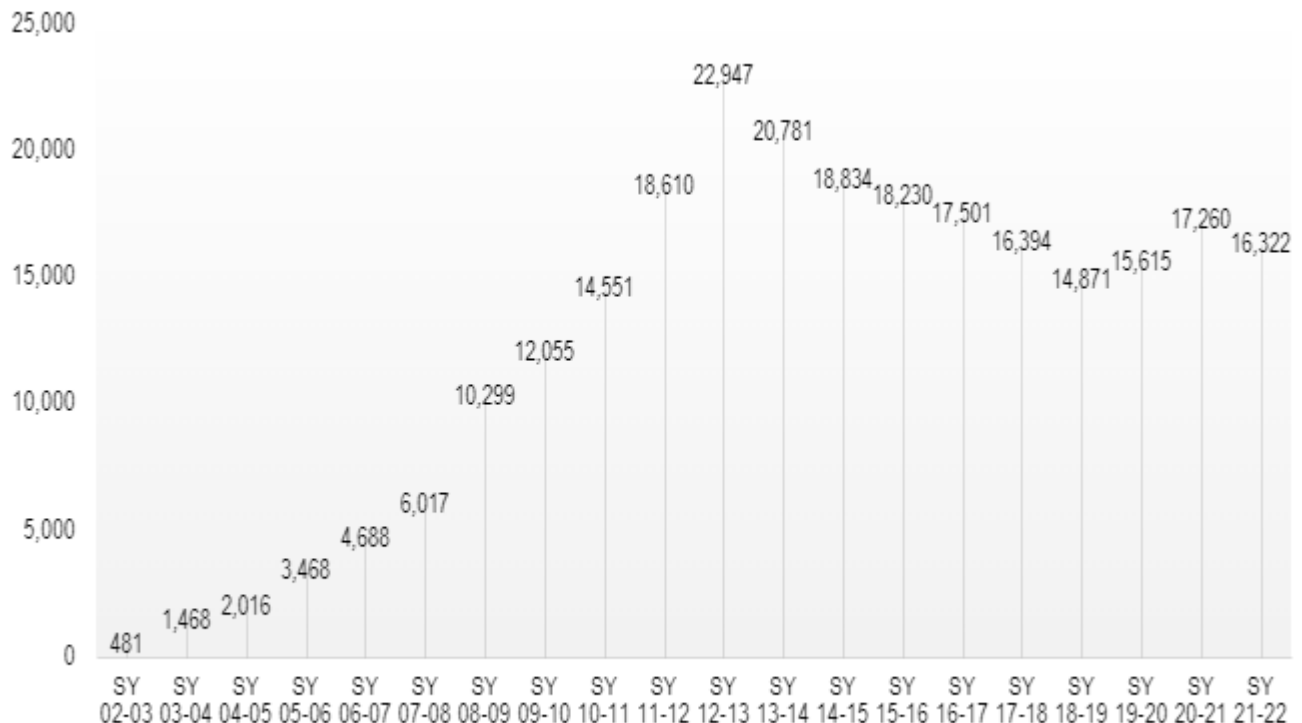
## of BSU Charter Schools

### What are Charter Schools?

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

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

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

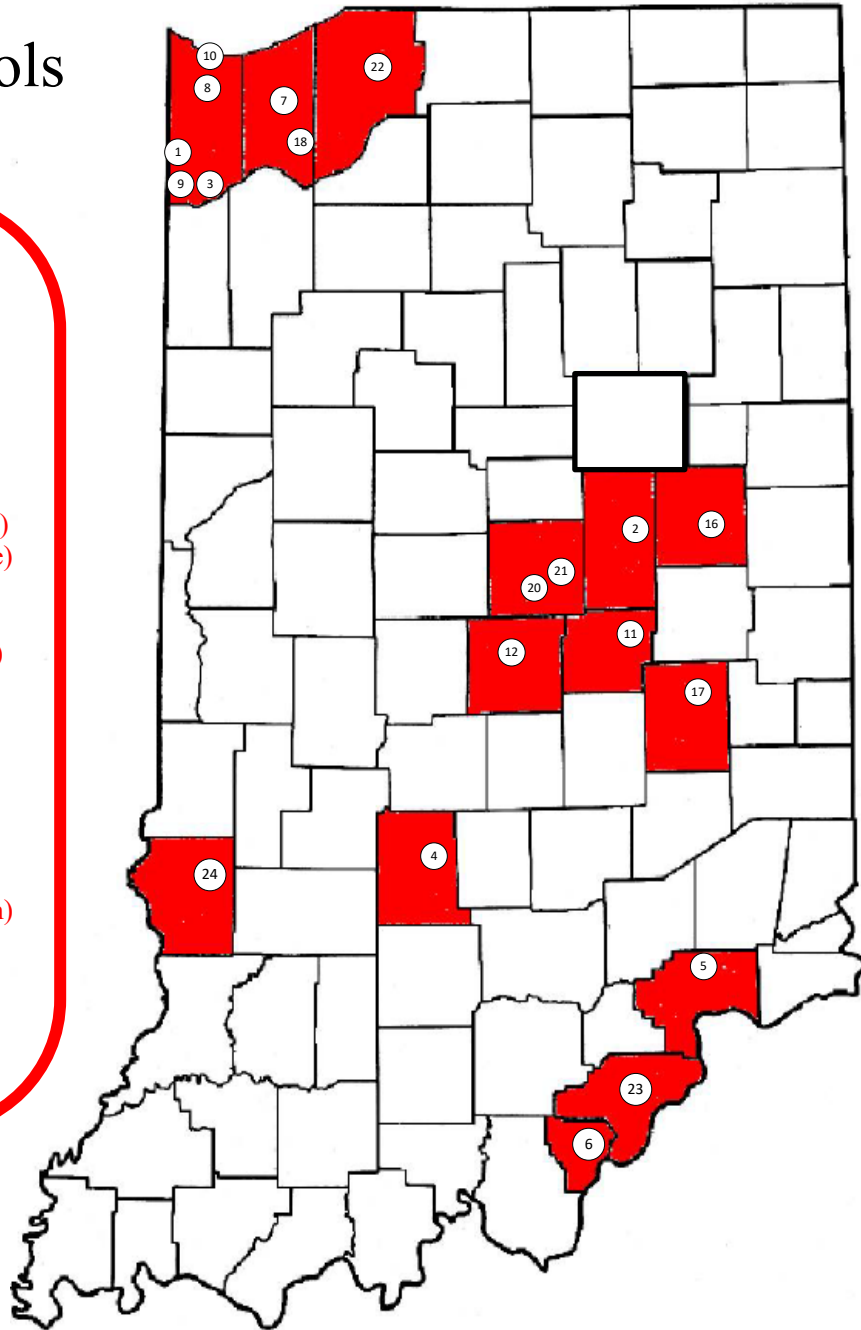


# MAP OF BALL STATE CHARTER SCHOOLS

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

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

EMO – 33% (8 schools)  
Independent – 67% (16 schools)



# DIVERSITY OF BSU CHARTER SCHOOLS

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

## School Type Comparisons

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



# 2021-22 STUDENT ENROLLMENT

of BSU Charter Schools

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

# 2021-22 INCIDENTS OF SECLUSIONS OR RESTRAINTS

of BSU Charter Schools

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

# INDIANA'S STATE ACCOUNTABILITY SYSTEM

## Ball State University Authorized Charter Schools 2021-22 PL221 Status

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

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

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

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

# INDIANA'S STATE ACCOUNTABILITY SYSTEM

## BSU Authorized Charter Schools 2021-22 ILEARN Results

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

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



# INDIANA'S STATE ACCOUNTABILITY SYSTEM

## BSU Authorized Charter Schools 2021-22 IREAD Results

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

Corporation Name	Spring 2021-22			Combined Spring/Summer 2021-22		
	IREAD TEST N	IREAD PASS N	IREAD Pass %	IREAD TEST N	IREAD PASS N	IREAD Pass %
21st Century Charter School at Gary	*	*	*	55	84	65.5%
Anderson Preparatory Academy	*	*	*	35	51	68.6%
Aspire Charter Academy	*	*	*	49	63	77.8%
The Bloomington Project School	*	*	*	36	40	90.0%
Canaan Community Academy	*	*	*	9	16	56.3%
Community Montessori Inc	*	*	*	25	38	65.8%
Discovery Charter School	*	*	*	59	66	89.4%
East Chicago Lighthouse Charter School	*	*	*	28	56	50.0%
East Chicago Urban Enterprise Academy	*	*	*	41	50	82.0%
Gary Lighthouse Charter School	*	*	*	37	64	57.8%
Geist Montessori Academy	*	*	*	22	26	84.6%
HIM by HER Collegiate School for the Arts	*	*	*	3	22	13.6%
Indiana Connections Academy	*	*	*	182	256	71.1%
Inspire Academy	*	*	*	7	16	43.8%
Mays Community Academy	*	*	*	12	14	85.7%
Renaissance Academy Charter School	*	*	*	21	24	87.5%
Rock Creek Community Academy	*	*	*	40	46	87.0%
Rural Community Schools Inc	*	*	*	8	10	80.0%
<b>Indiana Statewide</b>	*	*	*	59,104	73,221	80.7%

\* Awaiting Spring 2021-22 Test Results from IDOE

# GRADUATION RATES

BSU Authorized Charter Schools 2021-22

## 2021-22 GRADUATION RATES

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

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

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

\* Suppressed due to small population.

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

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

\* Suppressed due to small population.

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

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

# 2021-22 School Renewals

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

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

## 2021-22 Charter Proposals

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

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



# Financial Audits for Each Charter School\*

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

\* See Attached Appendix for copies of audit reports for each charter school for the year ended June 30, 2021.

\*\* Final Audit reports for 2021-22 are not yet available but will be uploaded when the final audit has been completed and provided to the Office of Charter Schools.

# ACADEMIC, FINANCIAL AND ORGANIZATIONAL PERFORMANCE FRAMEWORKS

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

The Academic Performance Framework measures:

## Student Progress Over Time

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

## Student Achievement

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

## State, Federal and Ball State Accountability

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

## Post-Secondary Readiness

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

# ACADEMIC, FINANCIAL AND ORGANIZATIONAL PERFORMANCE FRAMEWORKS

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The Financial Performance Framework measures:

**Near Term Indicators**

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

**Sustainability Indicators**

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

# ACADEMIC, FINANCIAL AND ORGANIZATIONAL PERFORMANCE FRAMEWORKS

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The Organizational Performance Framework measures:

## Education Program

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

## Financial Management and Oversight

- Reporting and Compliance
- Generally Accepted Accounting Principles

## Governance and Reporting

- Governance Requirements
- Management Oversight
- Reporting Requirements

## Additional Legal Obligations

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



# 2021-22 ADMINISTRATIVE FEES RECEIVED

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

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

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

# 2021-22 EXPENDITURES

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

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

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

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

# ACKNOWLEDGEMENTS

## BSU Office of Charter Schools

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

National Association of Charter School Authorizers (NACSA)

National Alliance for Public Charter Schools

Indiana Department of Education (IDOE)

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](http://CLAcconnect.com)

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

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

### Report on the Audit of the Financial Statements

#### *Opinion*

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

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

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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



***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

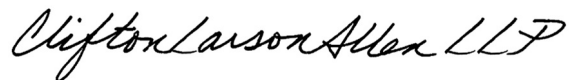
Board of Directors  
Central Indiana Military Academy, Inc.  
dba: Anderson Preparatory Academy

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

**Accounting Estimates**

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

**Board-Designated Net Assets**

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

**Revenue Recognition**

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

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

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

**Cash**

The School considers all demand accounts to be cash.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants Receivable and Revenue**

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

**Contributions, Grants, and Fees**

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

**Taxes on Income**

Central Indiana Military Academy, Inc. has received a determination from the U.S. Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$500 are charged to expense as incurred.

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

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

**Recent Accounting Pronouncements**

**Leases**

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

**Subsequent Events**

The School evaluated subsequent events through March 30, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 NOTES PAYABLE**

Notes payable were comprised of the following at June 30:

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

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

**NOTE 2 NOTES PAYABLE (CONTINUED)**

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

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

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

**NOTE 2 NOTES PAYABLE (CONTINUED)**

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

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

**NOTE 3 PAYROLL PROTECTION PROGRAM LOAN**

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

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

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

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

**NOTE 4 REVOLVING LINE OF CREDIT**

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

**NOTE 5 LEASES**

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

**NOTE 6 RETIREMENT PLANS**

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

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



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

**NOTE 7 COMMITMENTS**

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

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

**NOTE 8 RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022, substantially all of the receivable balance was due from the state of Indiana. In addition, bank deposits are maintained at two financial institutions, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

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

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

**NOTE 9 LIQUIDITY**

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

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

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

**NOTE 10 FUNCTIONAL EXPENSE REPORTING**

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

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

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

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

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



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

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

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

***Report on Internal Control Over Financial Reporting***

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

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

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

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

***Report on Compliance and Other Matters***

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

***Purpose of this Report***

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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



***Responsibilities of Management for Compliance***

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

***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023

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

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

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

**NOTE 1 BASIS OF PRESENTATION**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING**

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

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

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

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**Section I – Summary of Auditors' Results**

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**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Federal Programs**

**CFDA Number(s)**

84.425

**Name of Federal Program or Cluster**

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

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        x   no

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

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***Section II – Financial Statement Findings***

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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



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

**MADISON COUNTY, INDIANA**

**JULY 1, 2021 TO JUNE 30, 2022**



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

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



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023

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

**AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT**

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

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

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

**PAYROLL TESTING – PAID ADMINISTRATIVE LEAVE**

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

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

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

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

2200 W. 22<sup>nd</sup> Street  
Anderson, IN 46016  
Kindergarten – 5<sup>th</sup>  
Phone: 765-649-8472  
Fax: 765-640-5445  
www.goapa.org



101 W. 29<sup>th</sup> Street  
Anderson, IN 46016  
6<sup>th</sup> – 12<sup>th</sup> Grade  
Phone: 765-649-8472  
Fax: 765-640-2550  
www.goapa.org

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3/30/2023

**Response to Audit Findings**

**Finding:**

**AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT**

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

**Response:**

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

**Payroll Testing – Paid Administrative Leave**

**Finding:**

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

**Response:**

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



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



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**THE BLOOMINGTON PROJECT SCHOOL  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Bloomington Project School  
Bloomington, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Bloomington Project School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Bloomington Project School's ability to continue as a going concern for a reasonable period of time.

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 2, 2023

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

**Accounting Estimates**

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

**Revenue Recognition**

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

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

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

**Contributions**

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



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

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

**Grants Receivable**

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

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

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

**Taxes on Income**

The Bloomington Project School, Inc. has received a determination from the U.S. Department of Treasury stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting Pronouncements and Future Changes in Accounting Principle**

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

**Subsequent Events**

The School evaluated subsequent events through February 2, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 LINE OF CREDIT**

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

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

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

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

**NOTE 3 NOTES PAYABLE**

Notes payable consisted of the following as of June 30:

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

**Indiana Finance Authority Note Payable**

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

**IFF Note Payable**

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

**Common School Fund Loan**

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

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

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

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

**NOTE 4 LEASES**

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

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

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

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

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

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

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

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

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

**NOTE 5 DEBT EXTINGUISHMENT**

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

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

**NOTE 6 RETIREMENT PLANS**

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

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

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

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

**NOTE 7 COMMITMENTS**

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

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

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

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

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

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

**NOTE 8 RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022, substantially all of the receivable balance was due from the state of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit. To date, the School has not experienced losses in any of these accounts.

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

**NOTE 9 LIQUIDITY**

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

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

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

**NOTE 9 LIQUIDITY (CONTINUED)**

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

**NOTE 10 FUNCTIONAL EXPENSE REPORTING**

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



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

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

Supplemental Audit Report of The Bloomington Project School

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



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



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

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



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

School Officials  
The Bloomington Project School  
Bloomington, Indiana

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 2, 2023

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

**AMOUNTS WITHHELD – PENALTIES AND INTEREST PAID**

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

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

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

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





**the project school**

heart | mind | voice

349 S. Walnut Street, Bloomington, IN 47401

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

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

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

Respectfully submitted,

Catherine Diersing  
Superintendent



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

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



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

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

### Report on the Audit of the Financial Statements

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

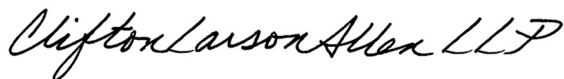
**Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of Canaan, Inc. dba: Canaan Community Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Canaan, Inc. dba: Canaan Community Academy's ability to continue as a going concern for a reasonable period of time.

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 27, 2023

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.



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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

**Basis of Accounting**

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

**Accounting Estimates**

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

**Revenue Recognition**

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

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

**Cash**

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

**Grants Receivable and Revenue**

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

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

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

**Taxes on Income**

Friends of Canaan, Inc. has received a determination from the U.S. Internal Revenue Service (IRS) stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

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

**Classification of Net Assets**

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

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

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

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

**Accounting Pronouncements and Future Changes in Accounting Principle**

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles**

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

**Subsequent Events**

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

**NOTE 2 IN-KIND RENT RECEIVABLE**

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

**NOTE 3 NOTES PAYABLE**

Notes payable were comprised of the following at June 30:

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

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

**NOTE 3 NOTES PAYABLE (CONTINUED)**

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

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

**NOTE 4 RETIREMENT PLAN**

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

**NOTE 5 COMMITMENTS**

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

**NOTE 6 RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022, substantially all of the receivable balance was due from the state of Indiana.

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

**NOTE 6 RISKS AND UNCERTAINTIES (CONTINUED)**

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

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

**NOTE 7 LIQUIDITY**

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

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

**NOTE 8 FUNCTIONAL EXPENSE REPORTING**

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



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

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

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

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



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

**SUPPLEMENTAL AUDIT REPORT**

**JULY 1, 2021 TO JUNE 30, 2022**



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

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



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 27, 2023

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

**AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT DOCUMENTATION**

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

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

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

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

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





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

812-839-0003

March 2023

To whom it may concern:

This letter is in response to the auditor finding below:

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

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

Sincerely,

Rhonda Pennington  
Chief Administrative Officer



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

**FINANCIAL STATEMENTS**

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



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

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Duneland Charter School, Inc. dba: Discovery Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Duneland Charter School, Inc. dba: Discovery Charter School's ability to continue as a going concern for a reasonable period of time.

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 17, 2023

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.



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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

**Accounting Estimates**

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

**Revenue Recognition**

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

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

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

**Grant and Contribution Revenue**

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

**Cash and Cash Equivalents**

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. Student fees receivable relate to unpaid student fees from the 2021-2022 school year. The School believes that all balances will be collected.

**Prepaid Expenses**

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

**Security Deposits**

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

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

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

**Impairment of Long-Lived Assets**

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

**Debt Issuance Costs**

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxes on Income**

The School has received a determination from the U.S. Internal Revenue Service (IRS) stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

**Recently Issued Accounting Pronouncements**

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

**Subsequent Events**

The School evaluated subsequent events through February 17, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 RESTRICTED CASH**

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

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

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

**NOTE 3 DEBT**

Debt was comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015A with an original amount of \$7,230,000. The principal amount was reduced by \$760,000 using financing from the state of Indiana. The loan principal is payable in annual installments that increase from \$155,000 to \$580,000 from December 2026 to December 2045. Interest payments are made semi-annually at a rate of 7.25% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	\$ 6,470,000	\$ 6,470,000
Note payable to the Indiana Common School Fund with an original amount of \$1,175,000. The note requires semi-annual payments of \$58,750 plus interest at 1% per annum from January 2017 to July 2026.	<u>528,750</u>	<u>646,250</u>
Total	6,998,750	7,116,250
Less: Current Portion	<u>(117,500)</u>	<u>(117,500)</u>
Long-Term Portion	<u>\$ 6,881,250</u>	<u>\$ 6,998,750</u>

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain financial covenants pertaining to cash reserves and minimum debt service coverage. The School was in compliance with covenants for June 30, 2022 and 2021.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 117,500
2024	117,500
2025	117,500
2026	117,500
2027	117,500
Thereafter	<u>6,411,250</u>
Total	<u>\$ 6,998,750</u>

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

**NOTE 4 DEBT EXTINGUISHMENT**

In March 2021, the School received proceeds in the amount of \$507,547 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP loan was formally forgiven by the U.S. Small Business Administration (SBA) in March 2022. Accordingly, the School recognized a gain on the extinguishment of debt of \$507,547 during the year ended June 30, 2022. This amount is included in the 2022 statement of activities and change in net assets as gain on extinguishment of payroll protection program loan.

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

**NOTE 5 RETIREMENT PLANS**

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

The School also maintains a Section 403(b) retirement plan. Employees may contribute up to 100% of their compensation provided they are at least 18 years of age and have at least 30 days of employment. There is no provision for an employer match.

Retirement plan expenses totaled \$129,832 and \$139,508 during the years ended June 30, 2022 and 2021, respectively.

**NOTE 6 COMMITMENTS**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 2% of state tuition support. Payments under this charter agreement were \$65,644 and \$57,587 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2027, and is renewable thereafter by mutual consent.

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

**NOTE 7 RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022 and 2021, 92% and 96% of the receivable balance was due from the state of Indiana, respectively.

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

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

**NOTE 8 LIQUIDITY**

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

	<u>2022</u>	<u>2021</u>
Financial Assets	\$ 1,717,081	\$ 1,818,024
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Cash and Cash Equivalents Restricted for Debt Service	(644,556)	(616,656)
Cash and Cash Equivalents Restricted for Construction	<u>(5,815)</u>	<u>(5,795)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,066,710</u>	<u>\$ 1,195,573</u>



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

**NOTE 8 LIQUIDITY (CONTINUED)**

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

**NOTE 9 FUNCTIONAL EXPENSE REPORTING**

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

**DUNELAND CHARTER SCHOOL, INC.  
DBA: DISCOVERY CHARTER SCHOOL  
OTHER REPORT  
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Duneland Charter School, Inc.  
dba: Discovery Charter School

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



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**SUPPLEMENTAL AUDIT REPORT**

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

**PORTER COUNTY, INDIANA**

**JULY 1, 2021 TO JUNE 30, 2022**



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**DUNELAND CHARTER SCHOOL, INC.  
DBA: DISCOVERY CHARTER SCHOOL  
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**DUNELAND CHARTER SCHOOL, INC.  
DBA: DISCOVERY CHARTER SCHOOL  
PORTER COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2021 – JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Lisa Gonzalez	07/01/21 – 06/30/22
Treasurer	Suzanne Radzik	07/01/21 – 06/30/22
Superintendent	Ernesto Martinez	07/01/21 – 06/30/22



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## INDEPENDENT AUDITORS' SUPPLEMENTAL AUDIT REPORT

School Officials  
Duneland Charter School, Inc.  
dba: Discovery Charter School  
Indianapolis, Indiana

We have audited the financial statements of Duneland Charter School, Inc. dba: Discovery Charter School (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated February 17, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. The School did not have any findings related to the Indiana State Board of Accounts compliance guidelines.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 17, 2023

**DUNELAND CHARTER SCHOOL, INC.  
DBA: DISCOVERY CHARTER SCHOOL  
PORTER COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 – JUNE 30, 2022**

No findings noted.



**DUNELAND CHARTER SCHOOL, INC.  
DBA: DISCOVERY CHARTER SCHOOL  
PORTER COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2021 – JUNE 30, 2022**

The contents of this report were discussed with Ernesto Martinez, superintendent, Lisa Gonzalez, board president, and a representative from The Gabriele Group, outsourced accounting, on February 9, 2023.



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**HOOSIER ACADEMY, INC.**  
**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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**HOOSIER ACADEMY, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hoosier Academy, Inc.  
Indianapolis, Indiana

### Report on the Audit of the Financial Statements

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

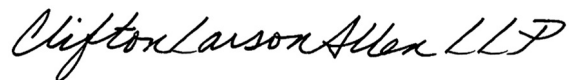
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 29, 2023

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

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 968,834	\$ 758,730
Accounts Receivable:		
Grants	557,920	489,367
Prepaid Expenses	9,251	5,089
Total Current Assets	1,536,005	1,253,186
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold Improvements	-	777,312
Furniture and Equipment	29,051	1,004,268
Less: Accumulated Depreciation	(29,051)	(1,669,979)
Property and Equipment, Net	-	111,601
 Total Assets	 \$ 1,536,005	 \$ 1,364,787
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses:		
K12 Classroom, LLC	\$ 1,148,657	\$ 822,278
Other	387,348	386,600
Refundable Advance	-	155,909
Total Current Liabilities	1,536,005	1,364,787
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	 -	 -
 Total Liabilities and Net Assets	 \$ 1,536,005	 \$ 1,364,787

See accompanying Notes to Financial Statements.



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

	2022	2021
<b>REVENUE AND SUPPORT</b>		
State Education Support	\$ 4,351,509	\$ 4,910,492
Grant Revenue	1,087,634	923,148
Other	1,178	456
Total Revenue and Support	5,440,321	5,834,096
 <b>EXPENSES</b>		
Program Services	4,966,763	5,011,750
Management and General	473,558	822,346
Total Expenses	5,440,321	5,834,096
 <b>CHANGE IN NET ASSETS</b>	-	-
 Net Assets - Beginning of Year	-	-
 <b>NET ASSETS - END OF YEAR</b>	\$ -	\$ -

See accompanying Notes to Financial Statements.

**HOOSIER ACADEMY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 2,265,583	\$ 3,156	\$ 2,268,739	\$ 2,866,586	\$ 64,058	\$ 2,930,644
Employee Benefits	547,467	653	548,120	552,943	8,915	561,858
Staff Development and Recruitment	13,251	-	13,251	18,459	-	18,459
Professional Services	196,620	223,693	420,313	162,647	425,452	588,099
Management Services	-	3,550	3,550	-	38,000	38,000
Food Costs	2,539	-	2,539	4,861	-	4,861
Authorizer Oversight Fees	-	120,581	120,581	-	129,595	129,595
Equipment Rental and Maintenance	22,581	-	22,581	56,671	-	56,671
Classroom and Office Supplies and Fees	1,637,903	14,937	1,652,840	1,003,955	26,050	1,030,005
Occupancy	97,547	-	97,547	211,831	-	211,831
Depreciation	-	-	-	55,801	-	55,801
Loss on Disposal of Property and Equipment	111,601	-	111,601	-	-	-
Other	71,671	106,988	178,659	77,996	130,276	208,272
<b>Total Functional Expenses</b>	<b>\$ 4,966,763</b>	<b>\$ 473,558</b>	<b>\$ 5,440,321</b>	<b>\$ 5,011,750</b>	<b>\$ 822,346</b>	<b>\$ 5,834,096</b>

See accompanying Notes to Financial Statements.

**HOOSIER ACADEMY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ -	\$ -
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	-	55,801
Loss on Disposal of Property and Equipment	111,601	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(68,553)	(328,314)
Prepaid Expenses	(4,162)	51,090
Accounts Payable and Accrued Expenses	327,127	42,603
Refundable Advances	(155,909)	70,957
Net Cash Provided (Used) by Operating Activities	210,104	(107,863)
Cash - Beginning of Year	758,730	866,593
<b>CASH - END OF YEAR</b>	<b>\$ 968,834</b>	<b>\$ 758,730</b>

See accompanying Notes to Financial Statements.

**HOOSIER ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Hoosier Academy, Inc. (Hoosier Academy) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana, and is the organizer and governing body of two charter schools located in Indianapolis, Indiana:

- *Hoosier Academies Indianapolis* is a blended learning program serving students in grades K-12.
- *Insight School of Indiana* is a fully virtual or online program serving students in grades 7-12 who have struggled in their education.

*Hoosier Academies Indianapolis* ceased operations as a charter school effective August 1, 2021. Enrollment during the 2021-2022 school year ranged between approximately 460 and 722 students in for the fall and spring semesters, respectively. Each of the schools is a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

**Accounting Estimates**

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

**Revenue Recognition**

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

A portion of Hoosier Academy's revenue is the product of cost reimbursement grants. Therefore, Hoosier Academy recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021 and 2020, Hoosier Academy has -\$0- and \$155,909, and \$84,952, respectively, of conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

**Grants Revenue**

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

**HOOSIER ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

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

**Accounts Receivable**

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

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

Leasehold Improvements	12 to 15 Years
Furniture and Equipment	2 to 5 Years

**Impairment of Long-Lived Assets**

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

**Taxes on Income**

Hoosier Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Hoosier Academy to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. Hoosier Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of Hoosier Academy are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

**HOOSIER ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements**

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

**Subsequent Events**

Hoosier Academy evaluated subsequent events through March 29, 2023, the date these financial statements were available to be issued. Events and transactions occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 LEASES**

Hoosier Academy leases its school facility under an operating lease. The lease provides for monthly lease payments through August 2024. Hoosier Academy also leases certain items of office equipment under an operating lease, which provides for monthly payments through August 2025. Rent expense for the years ended June 30, 2022 and 2021 under these operating leases was \$97,547 and \$211,831, respectively.

Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 62,467
2024	36,000
2025	6,000
Total	<u>\$ 104,467</u>

**NOTE 3 COMMITMENTS**

Hoosier Academy operates its schools under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, Hoosier Academy has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Payments under the charter agreements were \$120,581 and \$129,595 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect for Insight School of Indiana until June 30, 2027 and is renewable thereafter by mutual consent.

**HOOSIER ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 3 COMMITMENTS (CONTINUED)**

Hoosier Academy has contracted with K12 Classroom, LLC to provide administrative and technology services. Under the terms of the agreement, Hoosier Academy has agreed to pay an amount equal to 22% of revenues, as defined, for such services. Such fees for the years ended June 30, 2022 and 2021 were \$774,351 and \$2,139,969, respectively. Hoosier Academy also purchases certain other curriculum materials and supplies for which it is billed as goods and services are received. Such purchases aggregated \$42,667 and \$1,282,002 for the years ended June 30, 2022 and 2021, respectively. This agreement remains in effect until June 30, 2027.

K12 Classroom, LLC has agreed to issue credits against the amounts billed for services and products provided, if needed, to ensure that Hoosier Academy does not end a fiscal year with a financial deficit.

For the years ended June 30, 2022 and 2021, service fees were reduced as follows:

	Administrative and Technology Fees	Other Service Fees
	<u>                    </u>	<u>                    </u>
Year Ended June 30, 2022:		
Charges per Contract	\$ 774,351	\$ 42,677
Credit Issued by K12 Classroom LLC	<u>(579,428)</u>	<u>(1,445,110)</u>
Net Charges (Credits)	<u>\$ 194,923</u>	<u>\$ (1,402,433)</u>
Year Ended June 30, 2021:		
Charges per Contract	\$ 2,139,969	\$ 1,282,002
Credit Issued by K12 Classroom LLC	<u>(1,234,340)</u>	<u>(1,281,794)</u>
Net Charges	<u>\$ 905,629</u>	<u>\$ 208</u>

The deficit credits provided by K12 Classroom, LLC are subject to repayment if Hoosier Academy experiences a surplus in subsequent fiscal years. The amount of the repayment is based on a percentage of the surplus experienced during such fiscal year ranging from 25% to 75% dependent upon the amount of the surplus. Any unpaid credits remaining upon termination of the agreement are not subject to repayment. Hoosier Academy is not able to estimate the amount of the repayment, if any, expected to be made in future years.

**HOOSIER ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 4 RETIREMENT PLANS**

Hoosier Academy provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiemployer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2022 and 2021, Hoosier Academy contributed 7.5% of compensation for eligible teaching personnel to TRF. Should Hoosier Academy elect to withdraw from TRF, it could be subject to a withdrawal fee. Hoosier Academy's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF was approximately 95% funded.

In lieu of TRF, employees can opt to participate in a Section 403(b) plan sponsored by Hoosier Academy. Under this plan, Hoosier Academy contributes 7.5% of compensation, as defined. Additional contributions may be made at the discretion of the board of directors. No discretionary contributions were made in 2022 or 2021. Retirement plan expense under both plans was \$114,112 and \$159,918 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 5 RISKS AND UNCERTAINTIES**

Hoosier Academy provides educational instruction services to families residing in Marion and surrounding counties in Indiana, and to students throughout the state of Indiana through its virtual curriculum and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect Hoosier Academy. Additionally, Hoosier Academy is subject to monitoring and audit by state and federal agencies. Those examinations could result in additional liability to be imposed.

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

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



**HOOSIER ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 5 RISKS AND UNCERTAINTIES (CONTINUED)**

The Coronavirus Disease (COVID-19) pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of operations and financial results, including operating virtually for some periods of time and additional funding opportunities. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

**NOTE 6 LIQUIDITY**

Under ASU 2016-14, Hoosier Academy is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The Hoosier Academy's financial assets include cash and grants receivable. Financial assets at June 30, 2022 total \$1,526,754, all of which are available to meet cash needs for general expenditures within one year. Financial assets at June 30, 2021 total \$1,248,097, all of which are available to meet cash needs for general expenditures within one year.

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

**NOTE 7 FUNCTIONAL EXPENSE REPORTING**

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

**SUPPLEMENTARY INFORMATION**

**HOOSIER ACADEMY, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**  
**JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Hoosier Academy Indianapolis	Insight School of Indiana	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 259,139	\$ 709,695	\$ 968,834
Accounts Receivable:			
Grants	-	557,920	557,920
Prepaid Expenses	-	9,251	9,251
Total Current Assets	259,139	1,276,866	1,536,005
<b>PROPERTY AND EQUIPMENT</b>			
Furniture and Equipment	-	29,051	29,051
Less: Accumulated Depreciation	-	(29,051)	(29,051)
Property and Equipment, Net	-	-	-
Total Assets	\$ 259,139	\$ 1,276,866	\$ 1,536,005
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Expenses:			
K12 Classroom, LLC	\$ 203,847	\$ 944,810	\$ 1,148,657
Other	55,292	332,056	387,348
Total Current Liabilities	259,139	1,276,866	1,536,005
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
	-	-	-
Total Liabilities and Net Assets	\$ 259,139	\$ 1,276,866	\$ 1,536,005

**HOOSIER ACADEMY, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**  
**JUNE 30, 2021**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Hoosier Academy Indianapolis	Insight School of Indiana	Eliminating Entries	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 469,787	\$ 288,943	\$ -	\$ 758,730
Accounts Receivable:				
Grants	114,287	468,889	(93,809)	489,367
Prepaid Expenses	1,042	4,047	-	5,089
Total Current Assets	585,116	761,879	(93,809)	\$ 1,253,186
<b>PROPERTY AND EQUIPMENT</b>				
Leasehold Improvements	777,312	-	-	777,312
Furniture and Equipment	975,217	29,051	-	1,004,268
Less: Accumulated Depreciation	(1,640,928)	(29,051)	-	(1,669,979)
Property and Equipment, Net	111,601	-	-	111,601
Total Assets	\$ 696,717	\$ 761,879	\$ (93,809)	\$ 1,364,787
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses:				
K12 Classroom, LLC	\$ 454,297	\$ 367,981	\$ -	\$ 822,278
Other	199,044	281,365	(93,809)	386,600
Refundable Advance	43,376	112,533	-	155,909
Total Current Liabilities	696,717	761,879	(93,809)	1,364,787
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
	-	-	-	-
Total Liabilities and Net Assets	\$ 696,717	\$ 761,879	\$ (93,809)	\$ 1,364,787

**HOOSIER ACADEMY, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL**  
**JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Hoosier Academies Indianapolis	Insight School of Indiana	Total
<b>REVENUE AND SUPPORT</b>			
State Education Support	\$ 162,266	\$ 4,189,243	\$ 4,351,509
Grant Revenue	148,822	938,812	1,087,634
Contributions and Donations	(8,764)	8,764	-
Other	1,090	88	1,178
Total Revenue and Support	<u>303,414</u>	<u>5,136,907</u>	<u>5,440,321</u>
<b>EXPENSES</b>			
Program Services	251,997	4,714,766	4,966,763
Management and General	51,417	422,141	473,558
Total Expenses	<u>303,414</u>	<u>5,136,907</u>	<u>5,440,321</u>
<b>CHANGE IN NET ASSETS</b>	-	-	-
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HOOSIER ACADEMY, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL**  
**JUNE 30, 2021**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Hoosier Academies Indianapolis	Insight School of Indiana	Total
<b>REVENUE AND SUPPORT</b>			
State Education Support	\$ 956,156	\$ 3,954,336	\$ 4,910,492
Grant Revenue	297,135	626,013	923,148
Other	456	-	456
Total Revenue and Support	<u>1,253,747</u>	<u>4,580,349</u>	<u>5,834,096</u>
<b>EXPENSES</b>			
Program Services	1,071,591	3,940,159	5,011,750
Management and General	182,156	640,190	822,346
Total Expenses	<u>1,253,747</u>	<u>4,580,349</u>	<u>5,834,096</u>
<b>CHANGE IN NET ASSETS</b>	-	-	-
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HOOSIER ACADEMY, INC.  
OTHER REPORT  
YEAR ENDED JUNE 30, 2022**

The reports presented herein were prepared in addition to another official report prepared for Hoosier Academy, Inc. as listed below:

Supplemental Audit Report of Hoosier Academy, Inc.

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



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

Board of Directors  
Hoosier Academy, Inc.  
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hoosier Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

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

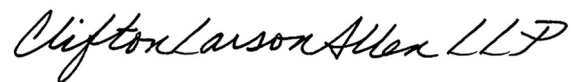


***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 29, 2023



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

Board of Directors  
Hoosier Academy, Inc.  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

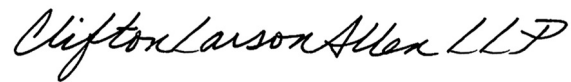
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Board of Directors  
Hoosier Academy, Inc.

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

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

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

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

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 29, 2023

**HOOSIER ACADEMY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Education</b>				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A170014	\$ -	\$ 9,009
Title I Grants to Local Educational Agencies	84.010	S010A180014	-	(3,657)
Title I Grants to Local Educational Agencies	84.010	S010A190014	-	15,085
Title I Grants to Local Educational Agencies	84.010	S010A200014	-	(30,957)
Title I Grants to Local Educational Agencies	84.010	S010A210014	-	201,729
Title I Grants to Local Educational Agencies	84.010	S010A1200014	-	11,636
Total - 84.010			-	202,845
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027	H027A170084	-	(7,318)
Special Education Grants to States	84.027	H027A180084	-	21,979
Special Education Grants to States	84.027	H027A190084	-	61,078
Special Education Grants to States	84.027	H027A200084	-	232,953
Special Education Grants to States	84.027	H027A210084	-	114,585
Total - 84.027			-	423,277
Title II Supporting Effective Instruction State Grants	84.367	S367A190013	-	4,621
Title II Supporting Effective Instruction State Grants	84.367	S367A200013	-	15,514
Total - 84.367			-	20,135
Title IV Student Support and Academic Enrichment Program	84.424	S424A180015	-	19,630
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	-	2,186
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	-	77,365
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	-	83,911
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	-	61,160
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U200013	-	145,284
Total - 84.425			-	369,906
Total Department of Education			-	1,035,793
Total Expenditures of Federal Awards			\$ -	\$ 1,035,793

**HOOSIER ACADEMY, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

**NOTE 1 BASIS OF PRESENTATION**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 INDIRECT COST RATE**

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HOOSIER ACADEMY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Federal Programs**

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.027	Special Education Cluster (IDEA)
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u>  x  </u> no

**HOOSIER ACADEMY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings***

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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





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**HOOSIER ACADEMY, INC.  
MARION COUNTY, INDIANA**

**SUPPLEMENTAL AUDIT REPORT**

**JULY 1, 2021 TO JUNE 30, 2022**



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**HOOSIER ACADEMY, INC.  
MARION COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Jayme Short-DeLeon	07/01/2021 – 06/30/2022
Head of School	David Rarick	07/19/2021 – 06/30/2022
Head of School	Tina Walker	07/01/2021 – 07/18/2021
Board Treasurer	Gary Meyer	07/01/2021 – 06/30/2022



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hoosier Academy, Inc.  
Indianapolis, Indiana

We have audited the financial statements of Hoosier Academy, Inc. (Hoosier Academy) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 29, 2023. As part of our audit, we tested Hoosier Academy's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe Hoosier Academy was not in compliance with those provisions.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 29, 2023

**HOOSIER ACADEMY, INC.  
MARION COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 TO JUNE 30, 2022**

**AVERAGE DAILY MAINTENANCE (ADM) TESTING**

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). Hoosier Academy (specifically Insight School of Indiana) has adopted a policy requiring birth certificates, immunization records, and proof of residency. The process used did not result in maintaining consistent and complete enrollment records. The Insight School of Indiana had 15 of 90 students missing documentation as required by the policy (2 students were missing birth certificates, 5 students were missing proof of residency, 4 students were missing immunization records, and 4 students were missing birth certificates and immunization records).

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

**HOOSIER ACADEMY, INC.  
MARION COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on February 21, 2023 with Jayme Short-Deleon (Board President), Gary Meyer (Board Treasurer), and representatives from K12, Inc. The Official Response has been made a part of this report and may be found on page 5.



POWERED BY K12

5650 Caito Drive  
Indianapolis, IN 46226  
317.495.6494

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Website: <http://ha.k12.com>

Website: <http://in.insightschools.net>

### **ADM Testing and Enrollment Documentation – Response by HOS**

**Background:** The finding in the audit indicated that “Hoosier Academy Indianapolis and Insight School of Indiana (now Hoosier College and Career Academy) have adopted a policy requiring birth certificates, immunizations records, and proof of residency.” The Head of School will review this policy and recommend changes, if necessary, to ensure consistency with all statutory and regulatory requirements for charter schools to maintain consistent and complete enrollment records. District administration will also work continue to obtain all required enrollment documents in the onboarding process and throughout the year as needed. School officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. The students registered with Hoosier College and Career will attend educational programs and receive education services virtually.

In summary, district administration will take action to correct the findings for the ADM testing and enrollment documentation to comply with the Indiana Department of Education. School officials will work to ensure for the future enrollment process, that all required enrollment documents will be available as dictated by Indiana Code.





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**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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



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**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Muncie Public Charter School of Inquiry, Inc.  
dba: Inspire Academy  
Muncie, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors  
Muncie Public Charter School of Inquiry, Inc.  
dba: Inspire Academy

***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 27, 2023

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 49,263	\$ 209,272
Grants Receivable	111,555	110,776
Prepaid Expenses	33,458	27,217
Total Current Assets	194,276	347,265
<b>PROPERTY AND EQUIPMENT</b>		
Land	76,880	76,880
Buildings and Improvements	1,262,056	502,299
Furniture and Equipment	445,691	326,805
Textbooks	13,092	13,092
Vehicles	31,850	31,850
Less: Accumulated Depreciation	(433,819)	(343,648)
Property and Equipment, Net	1,395,750	607,278
Total Assets	\$ 1,590,026	\$ 954,543
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Note Payable	\$ 24,997	\$ 28,119
Current Portion of Capital Lease Obligations	2,097	2,270
Accounts Payable and Accrued Expenses	92,121	133,240
Refundable Advances	3,667	23,670
Total Current Liabilities	122,882	187,299
<b>LONG-TERM LIABILITIES</b>		
Note Payable, Net of Current Portion	530,003	200,481
Capital Lease Obligations, Net of Current Portion	1,535	3,633
Total Long-Term Liabilities	531,538	204,114
Total Liabilities	654,420	391,413
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
	935,606	563,130
Total Liabilities and Net Assets	\$ 1,590,026	\$ 954,543

See accompanying Notes to Financial Statements.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>REVENUE AND SUPPORT</b>		
State Education Support	\$ 1,463,809	\$ 1,165,668
Grant Revenue	1,175,934	699,748
Student Fees	13,812	7,253
Contributions	105,503	35,638
Fundraising and Other Income	28,828	44,637
Total Revenue and Support	2,787,886	1,952,944
<b>EXPENSES</b>		
Program Services	1,735,136	1,190,653
Management and General	680,274	608,443
Total Expenses	2,415,410	1,799,096
<b>CHANGE IN NET ASSETS</b>	372,476	153,848
Net Assets - Beginning of Year	563,130	409,282
<b>NET ASSETS - END OF YEAR</b>	\$ 935,606	\$ 563,130

See accompanying Notes to Financial Statements.



**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 843,873	\$ 361,315	\$ 1,205,188	\$ 612,135	\$ 286,811	\$ 898,946
Employee Benefits	149,188	73,389	222,577	120,763	59,182	179,945
Staff Development	52,508	-	52,508	24,073	-	24,073
Professional Services	37,803	116,255	154,058	22,925	90,112	113,037
Connectivity	77,267	-	77,267	37,897	-	37,897
Authorizer Oversight Fees	-	37,219	37,219	-	30,079	30,079
Food Costs	61,366	-	61,366	47,936	-	47,936
Equipment	15,490	-	15,490	7,833	-	7,833
Classroom, Kitchen, and Office Supplies	72,108	5,096	77,204	75,342	4,661	80,003
Occupancy	159,421	25,000	184,421	125,186	-	125,186
Transportation	167,592	-	167,592	-	-	-
Depreciation	90,171	-	90,171	37,778	-	37,778
Interest	-	14,873	14,873	-	6,523	6,523
Property Rental and Maintenance	-	3,350	3,350	-	23,651	23,651
Insurance	-	25,440	25,440	-	23,351	23,351
Other	8,349	18,337	26,686	78,785	84,073	162,858
<b>Total Functional Expenses</b>	<b><u>\$ 1,735,136</u></b>	<b><u>\$ 680,274</u></b>	<b><u>\$ 2,415,410</u></b>	<b><u>\$ 1,190,653</u></b>	<b><u>\$ 608,443</u></b>	<b><u>\$ 1,799,096</u></b>

See accompanying Notes to Financial Statements.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 372,476	\$ 153,848
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	90,171	37,778
Gain on Extinguishment of Debt - PPP Loan	-	(209,200)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(779)	(83,149)
Prepaid Expenses	(6,241)	23,353
Accounts Payable and Accrued Expenses	(41,119)	27,016
Refundable Advances	(20,003)	(21,499)
Net Cash Provided (Used) by Operating Activities	<u>394,505</u>	<u>(71,853)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(576,143)	(280,304)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Repayment of Note Payable	-	(150,000)
Proceeds from Note Payable	23,900	228,600
Principal Reduction of Capital Lease Obligations	(2,271)	(2,875)
Net Cash Provided by Financing Activities	<u>21,629</u>	<u>75,725</u>
<b>NET CHANGE IN CASH</b>	(160,009)	(276,432)
Cash - Beginning of Year	<u>209,272</u>	<u>485,704</u>
<b>CASH - END OF YEAR</b>	<u>\$ 49,263</u>	<u>\$ 209,272</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	<u>\$ 14,873</u>	<u>\$ 6,523</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital Assets Acquired With Note Payable	<u>\$ 302,500</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Muncie Public Charter School of Inquiry, Inc. dba: Inspire Academy (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. In 2022 and 2021, the School served approximately 153 and 145 students, respectively, in grades prekindergarten to eighth by providing an alternative to the traditional elementary school program.

**Accounting Estimates**

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

**Cash and Cash Equivalents**

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

**Accounts Receivable**

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

**Revenue Recognition**

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

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022, the School has one conditional grant that has not been recognized as revenue in the statement of activities because conditions have not been met. See Note 5.

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants Receivable and Revenue**

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

**Contributions, Grants, and Fees**

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

**Taxes on Income**

The School has received a determination from the U.S. Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

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

**Impairment of Long-Lived Assets**

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

The School evaluated subsequent events through March 27, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Subsequent to year-end, the School applied for and was approved for a charter with Trine University, to begin July 1, 2023.

**NOTE 2 NOTE PAYABLE**

Note payable was comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Promissory note payable to IFF, payable in equal monthly installments of \$4,462 including interest at 5.25% secured by a mortgage of School facilities and all business assets	\$ 555,000	\$ 228,600
Less: Current Portion	<u>(24,997)</u>	<u>(28,119)</u>
Long-Term Portion	<u>\$ 530,003</u>	<u>\$ 200,481</u>

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2023	\$ 24,997
2024	26,342
2025	27,793
2026	29,289
2027	30,860
Thereafter	415,719
Total	<u>\$ 555,000</u>

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 3 PAYCHECK PROTECTION PROGRAM LOAN**

On April 21, 2020, the School received a loan from Star Financial Bank in the amount of \$209,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 18 months, deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. On February 16, 2021, the SBA has formally forgiven the entire portion of the School's obligation under this PPP Loan. Therefore, the School recognized \$209,200 in grant revenue in the statement of activities for the year ended June 30, 2021.

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

**NOTE 4 LEASES**

The School leases various items of equipment under capital leases. At June 30, 2022, the cost and accumulated depreciation relating to these assets were \$14,582 and \$11,190, respectively (\$14,582 and \$8,905, respectively, at June 30, 2021).

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 2,097
2024	1,334
2025	201
Total	<u>\$ 3,632</u>

**NOTE 5 REFUNDABLE ADVANCE**

During the year ended June 30, 2019, the School received a \$100,000 comprehensive counseling initiative implementation grant from the Lilly Endowment. The grant must be spent in accordance with the submitted budget and any funds not encumbered before June 30, 2022 must be returned. Accordingly, the revenue is recognized as approved expenditures are incurred. As of June 30, 2022 and 2021, \$3,667 and \$23,670, respectively, remained to be expended.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 6 RETIREMENT PLANS**

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

All other employees are eligible to participate in a School-sponsored section 403(b) plan. Under this plan, the School contributes 6% of compensation, as defined in the plan document. Additional contributions may be made at the discretion of the board of directors. No discretionary contributions were made in 2022 or 2021. Retirement plan expense under both plans was \$43,609 and \$34,387 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$37,219 and \$30,079 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2024 and is renewable thereafter by mutual consent.

The School terminated its lease on its facility at 1620 S. Madison Street, Muncie, Indiana effective June 30, 2016, citing landlord nonperformance. The lease was through June 30, 2018 and, as such, the School may be liable for remaining payments. On April 4, 2019, the School received an offer letter from the lessor, The Housing Authority of the City of Muncie, Indiana, to settle for payment in the amount of \$300,000. The School responded, via its attorney, on August 4, 2019, stating its opinion and offering to settle based on the following terms: (1) The Housing Authority of the City of Muncie, Indiana, would retain the original security deposit, and (2) the School tenders an additional lump sum payment of \$22,000. The Housing Authority of the City of Muncie, Indiana responded in January 2020 to settle in the amount of \$200,000. In April 2020, the School responded, via its attorney, that it would settle for \$35,000 plus the \$15,000 security deposit retention. The School recorded a contingent liability of \$35,000 and reduction of prepaid expense of \$15,000 for the proposed settlement during the year ended June 30, 2021. The total expense related to the proposed settlement recorded in the year ended June 30, 2021 was \$50,000. During the year ended June 30, 2022, a proposed settlement was accepted by The Housing Authority of the City of Muncie.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 8 RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana and federal funding sources. At June 30, 2020, substantially all of the receivable balance was due from these sources. In addition, bank deposits are maintained primarily at First Financial Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

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

**NOTE 9 LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and grants receivable. Financial assets at June 30, 2022 and 2021, totaled \$160,818 and \$320,048, respectively, all of which are available to meet cash needs for general expenditures within a year.

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



**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 10 FUNCTIONAL EXPENSE REPORTING**

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
OTHER REPORT  
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Muncie Public Charter School of Inquiry, Inc.  
dba: Inspire Academy

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Inspire Academy Charter	Inspire Academy Pre-K	Eliminations	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 49,263	\$ -	\$ -	\$ 49,263
Accounts Receivable	111,555	-	-	111,555
Prepaid Expenses	33,458	-	-	33,458
Due from Pre-K	256,979	-	(256,979)	-
Total Current Assets	451,255	-	(256,979)	194,276
<b>PROPERTY AND EQUIPMENT, NET</b>				
Land	76,880	-	-	76,880
Buildings and Improvements	1,262,056	-	-	1,262,056
Furniture and Equipment	445,691	-	-	445,691
Textbooks	13,092	-	-	13,092
Vehicles	31,850	-	-	31,850
Less: Accumulated Depreciation	(433,819)	-	-	(433,819)
Property and Equipment, Net	1,395,750	-	-	1,395,750
Total Assets	\$ 1,847,005	\$ -	\$ (256,979)	\$ 1,590,026
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Current Portion of Notes Payable	\$ 24,997	\$ -	\$ -	\$ 24,997
Current Portion of Capital Lease Obligations	2,097	-	-	2,097
Accounts Payable and Accrued Expenses	92,121	-	-	92,121
Refundable Advances	3,667	-	-	3,667
Due to Charter School	-	256,979	(256,979)	-
Total Current Liabilities	122,882	256,979	(256,979)	122,882
<b>LONG-TERM LIABILITIES</b>				
Notes Payable, Net of Current Portion	530,003	-	-	530,003
Capital Lease Obligations, Net of Current Portion	1,535	-	-	1,535
Total Long-Term Liabilities	531,538	-	-	531,538
Total Liabilities	654,420	256,979	(256,979)	654,420
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Total Liabilities and Net Assets	1,192,585	(256,979)	-	935,606
Total Liabilities and Net Assets	\$ 1,847,005	\$ -	\$ (256,979)	\$ 1,590,026

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Inspire Academy Charter</u>	<u>Inspire Academy Pre-K</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State Education Support	\$ 1,463,809	\$ -	\$ 1,463,809
Grant Revenue	1,175,934	-	1,175,934
Student Fees	13,812	-	13,812
Contributions	49,434	56,069	105,503
Fundraising and Other Income	28,806	22	28,828
Total Revenue and Support	<u>2,731,795</u>	<u>56,091</u>	<u>2,787,886</u>
<b>EXPENSES</b>			
Program Services	1,658,270	76,866	1,735,136
Management and General	679,392	882	680,274
Total Expenses	<u>2,337,662</u>	<u>77,748</u>	<u>2,415,410</u>
<b>CHANGES IN NET ASSETS</b>	394,133	(21,657)	372,476
Net Assets - Beginning of Year	<u>798,452</u>	<u>(235,322)</u>	<u>563,130</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,192,585</u>	<u>\$ (256,979)</u>	<u>\$ 935,606</u>



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**SUPPLEMENTAL AUDIT REPORT**  
**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**DBA: INSPIRE ACADEMY**  
**DELAWARE COUNTY, INDIANA**  
**JULY 1, 2021 TO JUNE 30, 2022**



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**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
DELAWARE COUNTY, INDIANA  
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**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
DELAWARE COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Leslie Draper	07/01/2021 – 06/30/2022
Financial Manager	Brittany Pickett	07/01/2021 – 06/30/2022
Board President	Dr. Thomas Schroeder	07/01/2021 – 06/30/2022
Board Treasurer	David Wentland	07/01/2021 – 06/30/2022





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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Muncie Public Charter School of Inquiry, Inc.  
dba: Inspire Academy  
Muncie, Indiana

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 27, 2023

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
DELAWARE COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 TO JUNE 30, 2022**

**AVERAGE DAILY MEMBERSHIP (ADM) TESTING – ENROLLMENT**

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for five (5) of the sixty-two (62) students tested for enrollment.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an “eligible pupil”. An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: “Eligible pupil” refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1”. IC 20-43-1-11.5 defines “Enrolled” as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines “Attending” as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

**AVERAGE DAILY MEMBERSHIP (ADM) TESTING – REPORTING CERTIFICATIONS**

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. During our testing, we noted that the Spring 2022 certifications did not include the superintendent’s signature and was shown as incomplete in the system due to a timing issue with the system that did not retain the certification.

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

**CREDIT CARD TESTING – INTEREST PAID**

During our testing of credit cards, there was one (1) instance of the five (5) charges tested where the School paid interest for the statement period that totaled \$86.61. This was subsequently refunded to the School.

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
DELAWARE COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 TO JUNE 30, 2022**

**CREDIT CARD TESTING**

During our testing of credit cards, there were two (2) of the five (5) credit card payments selected for testing had missing receipts. Missing receipts totaled \$516 out of total credit card expenses tested of \$25,010 tested.

Payment of credit cards is to not to be made on the basis of a statement or a credit card slip only. Procedures for payments are processed the same as for any other claim. Supporting documents such as paid bills and receipts are required to be available (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
DBA: INSPIRE ACADEMY  
DELAWARE COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Brittany Pickett, Financial Manager, Leslie Draper, Executive Director, and Dr. Thomas Schroeder, Board President, on March 27, 2023. The officials concurred with our audit findings. The Official Response has been made a part of this report and may be found on page 6.



March 17, 2023

CliftonLarsonAllen LLP  
9365 Counselors Row, Suite 200  
Indianapolis, IN 46240

Detailed below is the Official Response to Audit Results and Comments relative to the review of Muncie Public Charter School of Inquiry, Inc.'s ("the School") compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State of Accounts.

#### AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT

Audit Results and Comment: Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for five (5) of the sixty-two (62) students tested for enrollment.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

Response: The School has a system for obtaining and maintaining consistent and complete enrollment records to substantiate all students. The School is faced with the challenge of accepting all students with or without proper documentation in compliance with the McKinney-Vento Act.

## AVERAGE DAILY MAINTENANCE (ADM) TESTING – REPORTING CERTIFICATIONS

Audit Results and Comment: The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. During our testing, we noted that the Spring 2022 certifications did not include the superintendent's signature and was shown as incomplete in the system due to a timing issue with the system that did not retain the certification.

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

Response: The School has been in contact with the Indiana Department of Education (IDOE) to address the missing signature and to understand more clearly how the system works in regards to retaining the dual signatures for ADM Summary Report sign-offs. For the 2022-2023 school year, the School will be sure to follow-up with each required signature to ensure they are accepted by the IDOE's reporting system.

## CREDIT CARD TESTING – INTEREST PAID

Audit Results and Comment: During our testing of credit cards, there was one (1) instance of the five (5) charges tested where the School paid interest for the statement period that totaled \$86.61. This was subsequently refunded to the School.

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

Response: This is an isolated incident and the School has committed to making credit card payments via the secure, online portal in the event a payment may be delayed in the mail to prevent any future interest charges.

## CREDIT CARD TESTING

Audit Results and Comment: During our testing of credit cards, there were two (2) of the five (5) credit card payments selected for testing had missing receipts. Missing receipts totaled \$516 out of total credit card expenses tested of \$25,010 tested.

Payment of credit cards is to not to be made on the basis of a statement or a credit card slip only. Procedures for payments are processed the same as for any other claim. Supporting documents such as paid bills and receipts are required to be available (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

Response: The School will implement a folder system for the 2022-2023 school year that allows employees to immediately submit credit card receipts, for approved purchases, directly to the Financial Manager for retention and reconciliation with the monthly credit card statement. This should reduce the incidence of receipts being misplaced prior to being given to the School.

A handwritten signature in black ink, appearing to read "Leslie Draper". The signature is written in a cursive, flowing style.

Leslie Draper  
Executive Director  
Inspire Academy- A School of Inquiry  
2801 E. 16th St.  
Muncie, IN 47302



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**INDIANA ONLINE LEARNING OPTIONS, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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



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**INDIANA ONLINE LEARNING OPTIONS, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Indiana Online Learning Options, Inc.  
Indianapolis, Indiana

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Indiana Online Learning Options, Inc. (the School), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schools' ability to continue as a going concern for a reasonable period of time.

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 9,755,638	\$ 8,111,726
Grants Receivable	2,395,346	2,274,982
Total Current Assets	12,150,984	10,386,708
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold Improvements	95,900	95,900
Furniture and Equipment	94,944	94,944
Less: Accumulated Depreciation	(116,277)	(95,401)
Property and Equipment, Net	74,567	95,443
Total Assets	\$ 12,225,551	\$ 10,482,151
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Due to Connections Academy of Indiana, LLC	\$ 7,939,933	\$ 9,097,878
Accounts Payable and Accrued Expenses	1,182,437	1,310,645
Deferred Revenue	35,339	41,714
Total Current Liabilities	9,157,709	10,450,237
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	3,067,842	31,914
Total Liabilities and Net Assets	\$ 12,225,551	\$ 10,482,151

See accompanying Notes to Financial Statements.

**INDIANA ONLINE LEARNING OPTIONS, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>REVENUE AND SUPPORT</b>		
State Education Support	\$ 44,766,439	\$ 43,317,901
Grant Revenue	6,569,249	3,936,629
Contributions	298,848	-
Other	12,650	-
Total Revenue and Support	51,647,186	47,254,530
<b>EXPENSES</b>		
Program Services	41,392,144	39,976,791
Management and General	7,219,114	7,331,780
Total Expenses	48,611,258	47,308,571
<b>CHANGES IN NET ASSETS</b>	3,035,928	(54,041)
Net Assets - Beginning of Year	31,914	85,955
<b>NET ASSETS - END OF YEAR</b>	\$ 3,067,842	\$ 31,914

See accompanying Notes to Financial Statements.

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 11,604,063	\$ -	\$ 11,604,063	\$ 12,445,931	\$ -	\$ 12,445,931
Employee Benefits	3,509,140	-	3,509,140	3,778,701	-	3,778,701
Staff Development and Recruitment	793,269	6,254	799,523	1,079,568	26,353	1,105,921
Authorizer Fees	-	1,087,742	1,087,742	-	1,163,780	1,163,780
Professional Services	1,616,232	268,378	1,884,610	753,839	253,930	1,007,769
School Administration and Support Services	6,411,828	4,520,536	10,932,364	5,405,258	4,751,033	10,156,291
Classroom and Office Supplies	10,003,326	-	10,003,326	9,254,730	25,339	9,280,069
Technology	6,034,883	-	6,034,883	6,083,322	-	6,083,322
Testing	877,141	-	877,141	958,868	-	958,868
Occupancy	29,573	-	29,573	123,652	-	123,652
Travel	40,119	-	40,119	11,837	-	11,837
Depreciation	20,876	-	20,876	9,253	-	9,253
Equipment	15,367	-	15,367	16,505	-	16,505
Repairs and Maintenance	-	-	-	3,514	-	3,514
Insurance	-	12,521	12,521	-	11,952	11,952
Other	436,327	1,323,683	1,760,010	51,813	1,099,393	1,151,206
<b>Total Functional Expenses</b>	<b>\$ 41,392,144</b>	<b>\$ 7,219,114</b>	<b>\$ 48,611,258</b>	<b>\$ 39,976,791</b>	<b>\$ 7,331,780</b>	<b>\$ 47,308,571</b>

See accompanying Notes to Financial Statements.



**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 3,035,928	\$ (54,041)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	20,876	9,253
Changes in Operating Assets and Liabilities:		
State Tuition Receivable	-	74,076
Grants Receivable	(120,364)	(499,591)
Due to Connections Academy of Indiana, LLC	(1,157,945)	1,669,924
Accounts Payable and Accrued Expenses	(128,208)	308,474
Deferred Revenue	(6,375)	17,894
Net Cash Provided by Operating Activities	1,643,912	1,525,989
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	-	(91,330)
<b>NET CHANGE IN CASH</b>	1,643,912	1,434,659
Cash - Beginning of Year	8,111,726	6,677,067
<b>CASH - END OF YEAR</b>	\$ 9,755,638	\$ 8,111,726

See accompanying Notes to Financial Statements.

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Indiana Online Learning Options, Inc. (IOL) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana, and is the governing body of two virtual public charter schools, Indiana Connections Academy (INCA) and Indiana Connections Career Academy (INCC). The 2017-2018 school year was the first year of operations for INCC. Both INCA and INCC (together referred to as the Schools) operate under Indiana Code 20-24 and are sponsored by Ball State University. The Schools are available to students residing in the state of Indiana and provide educational instruction to approximately 7,000 students in grades kindergarten through 12.

**Accounting Estimates**

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

**Revenue Recognition**

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

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

**Grants Revenue**

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

**Cash and Cash Equivalents**

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

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants and State Tuition Support Receivable**

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. IOL believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. IOL believes that all balances will be collected.

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

Leasehold Improvements	3 to 7 Years
Furniture and Equipment	5 to 7 Years

**Impairment of Long-Lived Assets**

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

**Taxes on Income**

IOL has received a determination from the Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, IOL would be subject to tax on income unrelated to its tax-exempt purpose. For the periods ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require IOL to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. IOL has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of IOL are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

**INDIANA ONLINE LEARNING OPTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements**

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

**Subsequent Events**

The School evaluated subsequent events through March 30, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 RETIREMENT PLANS**

IOL's personnel are eligible to participate in a 401(k) retirement plan sponsored by Pearson Online & Blended Learning, LLC. Under the plan, IOL matches 100% of employee contributions up to 3% of compensation and 50% of employee contributions for the next 3% of compensation. IOL may also make additional discretionary contributions. No discretionary contributions were made in 2022 and 2021. Retirement plan expense for the years ended June 30, 2022 and 2021 was \$245,917 and \$228,621, respectively.

**NOTE 3 LEASE**

IOL leases its facilities under an operating lease through August 30, 2026. Expense under the lease for the years ended June 30, 2022 and 2021 was \$29,573 and \$123,652, respectively. Future minimum lease obligations under this lease are as follows for the years ending June 30:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 41,800
2024	42,845
2025	43,890
2026	44,935
2027	7,664
Total	<u>\$ 181,134</u>

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 4 COMMITMENTS**

INCA and INCC operate under a single charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charter, IOL agrees to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$1,087,742 and \$1,163,780 for the years ended June 30, 2022 and 2021, respectively. The charters remain in effect until June 30, 2026 and are renewable thereafter by mutual consent.

IOL has contracted with Connections Academy of Indiana, LLC to provide instructional materials and services as well as administrative and technology services to IOL. As compensation for these services, IOL negotiates a schedule of fees for services for each year of the term of agreement, which remains in effect until June 30, 2026.

Connections Academy of Indiana, LLC has agreed to make a contribution and/or issue credits against the amounts billed for services and products provided, if needed, to ensure that IOL does not end a fiscal year with a financial deficit. The total contribution was \$298,848 and \$115,227 for the years ended June 30, 2022 and 2021, respectively, and the credits issued to IOL were \$-0- and \$748,626 for the years ended June 30, 2022 and 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Enrollment/Unit-Based Fees	\$ 1,864,039	\$ 18,324,789
Revenue-Based Fees	966,582	10,210,665
Total	<u>2,830,621</u>	<u>28,535,454</u>
Less: Total Contribution and Credits Issues	<u>(298,848)</u>	<u>(863,853)</u>
Net Fees	<u>\$ 2,531,773</u>	<u>\$ 27,671,601</u>

**NOTE 5 RISKS AND UNCERTAINTIES**

IOL provides educational instruction services in a virtual school environment to families residing in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect IOL. Additionally, IOL is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on IOL.

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

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 5 RISKS AND UNCERTAINTIES (CONTINUED)**

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

The Coronavirus Disease (COVID-19) pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the IOL, COVID-19 has impacted various parts of its operations and financial results, including an increased demand for virtual learning options and additional funding opportunities. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

**NOTE 6 LIQUIDITY**

Under ASU 2016-14, IOL is required to disclose the assets it has available at June 30, 2022 and 2021, to meet its cash needs for general expenditures within one year of the date of the statement of financial position. IOL's financial assets include cash and grants receivable. Financial assets at June 30, 2022 and 2021 totaling \$12,150,984 and \$10,386,708 respectively, all of which are available to meet cash needs for general expenditures within the next year.

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

**NOTE 7 FUNCTIONAL EXPENSE REPORTING**

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

**INDIANA ONLINE LEARNING OPTIONS, INC.  
OTHER REPORT  
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Indiana Online Learning Options, Inc.

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

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**  
**JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Indiana Connections Academy</u>	<u>Indiana Connections Career Academy</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 9,188,002	\$ 567,636	\$ 9,755,638
State Tuition Support Receivable	-	-	-
Grants Receivable	1,842,371	552,975	2,395,346
Due from (to) Intercompany	<u>202,469</u>	<u>(202,469)</u>	<u>-</u>
Total Current Assets	11,232,842	918,142	12,150,984
<b>PROPERTY AND EQUIPMENT, NET</b>			
Leasehold Improvements	95,900	-	95,900
Furniture and Equipment	94,944	-	94,944
Less: Accumulated Depreciation	<u>(116,277)</u>	<u>-</u>	<u>(116,277)</u>
Property and Equipment, Net	<u>74,567</u>	<u>-</u>	<u>74,567</u>
 Total Assets	 <u>\$ 11,307,409</u>	 <u>\$ 918,142</u>	 <u>\$ 12,225,551</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Due to Connections Academy of Indiana, LLC	\$ 7,185,228	\$ 754,705	\$ 7,939,933
Accounts Payable and Accrued Expenses	1,038,141	144,296	1,182,437
Deferred Revenue	<u>27,149</u>	<u>8,190</u>	<u>35,339</u>
Total Current Liabilities	8,250,518	907,191	9,157,709
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	 <u>3,056,891</u>	 <u>10,951</u>	 <u>3,067,842</u>
 Total Liabilities and Net Assets	 <u>\$ 11,307,409</u>	 <u>\$ 918,142</u>	 <u>\$ 12,225,551</u>



**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**  
**JUNE 30, 2021**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Indiana Connections Academy	Indiana Connections Career Academy	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 7,448,093	\$ 663,633	\$ 8,111,726
State Tuition Support Receivable	-	-	-
Grants Receivable	2,120,367	154,615	2,274,982
Due from (to) Intercompany	57,713	(57,713)	-
Total Current Assets	9,626,173	760,535	10,386,708
<b>PROPERTY AND EQUIPMENT, NET</b>			
Leasehold Improvements	95,900	-	95,900
Furniture and Equipment	94,944	-	94,944
Less: Accumulated Depreciation	(95,401)	-	(95,401)
Property and Equipment, Net	95,443	-	95,443
 Total Assets	 \$ 9,721,616	 \$ 760,535	 \$ 10,482,151
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Due to Connections Academy of Indiana, LLC	\$ 8,482,991	\$ 614,887	\$ 9,097,878
Accounts Payable and Accrued Expenses	1,183,675	126,970	1,310,645
Deferred Revenue	33,777	7,937	41,714
Total Current Liabilities	9,700,443	749,794	10,450,237
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	 21,173	 10,741	 31,914
 Total Liabilities and Net Assets	 \$ 9,721,616	 \$ 760,535	 \$ 10,482,151

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY SCHOOL**  
**YEAR ENDED JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Indiana Connections Academy	Indiana Connections Career Academy	Total
<b>REVENUE AND SUPPORT</b>			
State Education Support	\$ 40,841,964	\$ 3,924,475	\$ 44,766,439
Grant Revenue	5,765,075	804,174	6,569,249
Other Income	12,059	591	12,650
Contribution Revenue	-	298,848	298,848
Total Revenue and Support	<u>46,619,098</u>	<u>5,028,088</u>	<u>51,647,186</u>
<b>EXPENSES</b>			
Program Services	37,006,174	4,385,970	41,392,144
Management and General	6,577,206	641,908	7,219,114
Total Expenses	<u>43,583,380</u>	<u>5,027,878</u>	<u>48,611,258</u>
<b>CHANGES IN NET ASSETS</b>	3,035,718	210	3,035,928
Net Assets - Beginning of Year	<u>21,173</u>	<u>10,741</u>	<u>31,914</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 3,056,891</u></u>	<u><u>\$ 10,951</u></u>	<u><u>\$ 3,067,842</u></u>

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY SCHOOL**  
**YEAR ENDED JUNE 30, 2021**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Indiana Connections Academy	Indiana Connections Career Academy	Total
<b>REVENUE AND SUPPORT</b>			
State Education Support	\$ 40,122,085	\$ 3,195,816	\$ 43,317,901
Grant Revenue	3,632,465	304,164	3,936,629
Total Revenue and Support	<u>43,754,550</u>	<u>3,499,980</u>	<u>47,254,530</u>
<b>EXPENSES</b>			
Program Services	36,776,736	3,200,055	39,976,791
Management and General	6,975,485	356,295	7,331,780
Total Expenses	<u>43,752,221</u>	<u>3,556,350</u>	<u>47,308,571</u>
<b>CHANGES IN NET ASSETS</b>	2,329	(56,370)	(54,041)
Net Assets - Beginning of Year	<u>18,844</u>	<u>67,111</u>	<u>85,955</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 21,173</u></u>	<u><u>\$ 10,741</u></u>	<u><u>\$ 31,914</u></u>



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

Board of Directors  
Indiana Online Learning Options, Inc.  
Indianapolis, Indiana

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

***Report on Internal Control Over Financial Reporting***

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

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

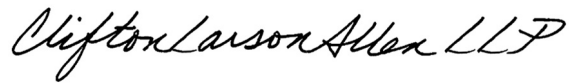
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023



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

Board of Directors  
Indiana Online Learning Options, Inc.  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

Board of Directors  
Indiana Online Learning Options, Inc.

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

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

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

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

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023



**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. Department of Education:</b>			
Passed-Through from Indiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A200014	\$ 791,421
Title I Grants to Local Educational Agencies	84.010	S010A200015	18,750
Title I Grants to Local Educational Agencies	84.010	S010A190014	121,879
Title I Grants to Local Educational Agencies	84.010	1861-001-PN01	104,154
Total Assistance Listing Number 84.010			1,036,204
Special Education Cluster (IDEA)			
Passed-Through from Indiana Department of Education:			
Special Education Grants to States	84.027A	20611-546-PN01	1,090,881
Special Education Grants to States	84.027A	H027A190084	106,528
Special Education Grants to States	84.027X	N/A	98,654
Special Education Grants to States	84.027X	N/A	15,212
Total Assistance Listing Number 84.027			1,311,275
Special Education Preschool Grants	84.173A	20619-546-PN01	17,757
Total Special Education Cluster (IDEA)			1,329,032
Passed-Through from Indiana Department of Education:			
Charter School Program	84.282A	N/A	207,345
Passed-Through from Indiana Department of Education:			
English Language Acquisition State Grants	84.365A	N/A	5,838
Passed-Through from Indiana Department of Education:			
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	S367A190013	164,539
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	S367A200013	16,544
Total Assistance Listing Number 84.367			181,083
Passed-Through from Indiana Department of Education:			
Student Support and Academic Enrichment Program	84.424A	S424A120015	963
Student Support and Academic Enrichment Program	84.424A	S424A200015	10,129
Total Assistance Listing Number 84.424			11,092
Passed-Through from Indiana Department of Education:			
COVID 19: Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	1,852,535
COVID 19: Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	137,576
Total Assistance Listing Number 84.425			1,990,111
Total U.S. Department of Education			4,760,705
Total Expenditures of Federal Awards			\$ 4,760,705

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

**NOTE 1 BASIS OF PRESENTATION**

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 INDIRECT COST RATE**

The School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 SUBRECIPIENTS**

The School did not make any federal awards to subrecipients during the year ended June 30, 2022.

**INDIANA ONLINE LEARNING OPTIONS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

***Section I – Summary of Auditors' Results***

***Financial Statements***

- |                                                          |            |                                                         |  |
|----------------------------------------------------------|------------|---------------------------------------------------------|--|
| 1. Type of auditors' report issued:                      | Unmodified |                                                         |  |
| 2. Internal control over financial reporting:            |            |                                                         |  |
| • Material weakness(es) identified?                      | _____ yes  | _____ <input checked="" type="checkbox"/> no            |  |
| • Significant deficiency(ies) identified?                | _____ yes  | _____ <input checked="" type="checkbox"/> none reported |  |
| 3. Noncompliance material to financial statements noted? | _____ yes  | _____ <input checked="" type="checkbox"/> no            |  |

***Federal Awards***

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

***Identification of Major Federal Programs***

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.027, 84.173	Special Education Cluster (IDEA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ yes      _____ <input checked="" type="checkbox"/> no

**INDIANA ONLINE LEARNING OPTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

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***Section II – Financial Statement Findings***

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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



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**SUPPLEMENTAL AUDIT REPORT  
OF  
INDIANA ONLINE LEARNING OPTIONS, INC.  
MARION COUNTY INDIANA  
JULY 1, 2021 TO JUNE 30, 2022**



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**INDIANA ONLINE LEARNING OPTIONS, INC.  
MARION COUNTY, INDIANA  
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<b>EXIT CONFERENCE</b>	<b>4</b>
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**INDIANA ONLINE LEARNING OPTIONS, INC.  
MARION COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Stacy Taylor	07/01/2021 – 06/30/2022
Executive Director	Carol Larson	07/01/2021 – 06/30/2022
Board Treasurer	Andrew Norris	07/01/2021 – 06/30/2022





CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Indiana Online Learning Options, Inc.  
Indianapolis, Indiana

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 30, 2023

**INDIANA ONLINE LEARNING OPTIONS, INC.  
MARION COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 TO JUNE 30, 2022**

**VENDOR DISBURSEMENTS – SALES TAX EXEMPTION**

Sales tax can be avoided or reimbursed for purchases eligible under the state tax exemption guidelines. During our testing of vendor disbursements noted there were two (2) instances of the 25 disbursement selections where INCA paid sales tax and noted there were five (5) instances of the 25 disbursement selections where INCC paid sales tax.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

**INDIANA ONLINE LEARNING OPTIONS, INC.  
MARION COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on March 30, 2023, with the School's Executive Director Kelly Simon (replaced Carol Larson subsequent to the year ended June 30, 2022), School's Board Treasurer Andrew Norris, and representatives from Pearson Education. The Official Response has been made a part of this report and may be found on page 5.



March 30, 2023

**The Board of Directors  
Indiana Online Learning Options, Inc.**

As part of the financial statement audit of Indiana Online Learning Options, Inc. ("IOL") as of and for the year ended June 30, 2022, CliftonLarsonAllen LLP tested IOL's compliance with provisions of the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools issued by the Indiana State Board of Accounts and related provisions of laws, regulations, and grant agreements, and has communicated Audit Results and Comments. Included herein is the Office Response to the Comment provided by CliftonLarsonAllen LLP in their report presented on March 30, 2023:

**IOL Response to Comment on Sales Tax Exemption** – The vendor disbursements selected for testing for INCA and INCC for sales tax exemption guidelines which included sales tax related to invoices that were not directly paid by the School. The selections primarily relate to invoices paid by Connections Academy of Indiana LLC on behalf of IOL as a pay agent and then submitted for reimbursement to IOL. As Connections Academy of Indiana LLC is not a tax-exempt entity and is acting as a pay agent for the School, the related sales tax cost is also invoiced to the School with the associated service and/or product by Connections Academy of Indiana LLC. The remaining selections related to disbursements for employee reimbursements, for which the employee reimbursement request included sales tax. As the employee is not tax exempt, sales tax was incurred on the employee's transaction and therefore sales tax was included in the reimbursement to the employee.

For invoices paid directly by the School, prior to invoice payment, IOL will continue to implement its review procedure to ensure sales tax is not remitted with invoice payment. Upon receipt of invoices from vendors, IOL will review invoices to verify sales tax has not been captured on the invoice prior to payment of the invoice and will provide Sales Tax Exemption certificate to vendors where sales tax has been captured on the invoice.

Sincerely,

*Kelly Simone*

[Kelly Simone \(Mar 30, 2023 09:50 EDT\)](#)

Kelly Simone  
Executive Director, Indiana Online Learning Options, Inc.



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**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**



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**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Options Charter Schools and Affiliates  
Noblesville, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Options Charter Schools and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Options Charter Schools and Affiliates as of June 30, 2022, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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



***Auditors' Responsibilities for the Audit of the Financial Statements***

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


In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Options Charter Schools and Affiliates' internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Options Charter Schools and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 29, 2023

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 522,354
Cash - Restricted	53,413
Grants Receivable	84,522
Prepaid Expenses	110,456
Interest Rate Swap	372,635
Total Current Assets	<u>1,143,380</u>

**PROPERTY AND EQUIPMENT**

Land	1,313,089
Building and Improvements	3,368,367
Leasehold Improvements	37,274
Automobiles	41,527
Furniture and Equipment	2,829,013
Less: Accumulated Depreciation	<u>(715,757)</u>
Property and Equipment, Net	<u>6,873,513</u>

Total Assets	<u>\$ 8,016,893</u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current Portion of Note Payable	\$ 363,529
Deferred Revenue	25,000
Security Deposit	3,200
Accounts Payable and Accrued Expenses	<u>434,115</u>
Total Current Liabilities	825,844

**LONG-TERM LIABILITIES**

Note Payable, Net of Current Portion	<u>4,210,383</u>
Total Liabilities	5,036,227

**NET ASSETS, WITHOUT DONOR RESTRICTIONS**

	<u>2,980,666</u>
Total Liabilities and Net Assets	<u>\$ 8,016,893</u>

See accompanying Notes to Consolidated Financial Statements.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED JUNE 30, 2022**

**REVENUE AND SUPPORT**

State Education Support	\$ 7,039,260
Contributions and Donations	30,053
Grant Revenue	1,551,590
In-Kind Revenue	10,285
Student Fees	26,377
Gain on Interest Rate Swap	372,635
Total Revenue and Support	<u>9,030,200</u>

**EXPENSES**

Program Services	6,618,716
Management and General	2,044,215
Total Expenses	<u>8,662,931</u>

**CHANGE IN NET ASSETS**

367,269

Net Assets - Beginning of Year

2,613,397

**NET ASSETS - END OF YEAR**

\$ 2,980,666

*See accompanying Notes to Consolidated Financial Statements.*

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 3,742,085	\$ 993,235	\$ 4,735,320
Employee Benefits	1,447,461	379,793	1,827,254
Occupancy	394,612	62,786	457,398
Scholarships	5,000	-	5,000
Equipment	242,245	16,578	258,823
Professional Services	327,889	176,016	503,905
Depreciation	189,917	1,871	191,788
Classroom and Office Supplies	135,708	30,933	166,641
Authorizer Oversight Fees	-	155,674	155,674
Food Service	36,742	-	36,742
Insurance	-	70,046	70,046
Transportation	35,212	9,561	44,773
Interest	-	125,691	125,691
Foundation Expenses	9,775	-	9,775
Other	52,070	22,031	74,101
	<u>\$ 6,618,716</u>	<u>\$ 2,044,215</u>	<u>\$ 8,662,931</u>
Total Expenses by Function	<u>\$ 6,618,716</u>	<u>\$ 2,044,215</u>	<u>\$ 8,662,931</u>

See accompanying Notes to Consolidated Financial Statements.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 367,269
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	191,788
Gain on Interest Rate Swap	(372,635)
Changes in Operating Assets and Liabilities:	
Grants Receivable	(84,522)
Prepaid Expenses	27,573
Accounts Payable and Accrued Expenses	(30,358)
Deferred Revenue	25,000
Security Deposit	3,200
Net Cash Provided by Operating Activities	<u>127,315</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	(1,277,014)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal Paid on Note Payable	<u>(347,990)</u>
 <b>NET CHANGE IN CASH</b>	(1,497,689)
 Cash and Restricted Cash - Beginning of Year	<u>2,073,456</u>
 <b>CASH AND RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 575,767</u></u>
 <b>RECONCILIATION OF CASH AND RESTRICTED CASH</b>	
Cash	\$ 522,354
Cash - Restricted	53,413
Total Cash and Restricted Cash	<u><u>\$ 575,767</u></u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash Paid for Interest	<u><u>\$ 126,821</u></u>

See accompanying Notes to Consolidated Financial Statements.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Options Charter Schools (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates three public charter schools established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves approximately 830 students in grades nine to twelve by providing an alternative to traditional high school programs.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the School and its affiliate Options in Education Foundation, Inc. (Foundation) and its single member LLC's OCS Westfield, LLC and OCS Noblesville, LLC (LLC's). The School and the Foundation are consolidated due to being under common control through common board members and having a financial interest among the School and the LLC's. The LLC's were formed to hold and maintain the properties in which the School operates. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Accounting Estimates**

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

**Revenue Recognition**

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

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as Deferred Revenues in the consolidated statement of financial position. As of June 30, 2022, the School does not have any conditional grants that have not been recognized as Revenue in the consolidated statement of activities and change in net assets because conditions have not been met.

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

**Grant Revenue**

Grant revenues relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions and Donations, Grant Revenue, and Student Fees**

The School receives income from contributions and donations, grant revenue, and student fees that support certain school activities. Grant revenues relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to Net Assets Without Donor Restrictions and reported in the consolidated statement of activities and change in net assets as Net Assets Released from Restrictions. The School, Foundation, and LLC's did not have any net assets with donor restrictions as of June 30, 2022.

**Cash, Restricted Cash, and Cash Equivalents**

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

Restricted cash represents resources unavailable for use as it represents escrowed construction loan funds at the time of conversion of the construction loan to the loan as described in Note 2.

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

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

Building and Leasehold Improvements	5 to 40 Years
Furniture and Equipment	3 to 7 Years

**Impairment of Long-Lived Assets**

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



**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxes on Income**

The School and Foundation have received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) as a tax-exempt organization; however, the School and Foundation would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2022, no accounting for federal and state income taxes was required to be included in the accompanying consolidated financial statements.

Professional accounting standards require the School and Foundation to recognize a tax liability only if it is more-likely-than-not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School and Foundation have examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School and Foundation are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a Right-of-Use Asset and Lease Liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The School, Foundation, and LLC's are currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

**Subsequent Events**

The School, Foundation, and LLC's have evaluated subsequent events through March 29, 2023, the date these consolidated financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

Subsequent to year-end, the School Corporation's petition to the State Board of Education (SBOE) was agreed to for student support payments not received in the amount of \$363,000.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 NOTES PAYABLE**

At June 30, 2022, the notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Note payable to the Indiana State Board of Education, payable \$112,900 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	\$ 1,016,102
Construction note payable to First Financial Bank, subject to conversion to mini-permanent term loan for 108 months upon completion of construction. Loan was converted to term in July 2021 and is due July 2030. Interest at 3.27%, secured by building and guaranteed by the School and Foundation.	<u>3,557,810</u>
Total	<u>4,573,912</u>
Less: Current Portion	<u>(363,529)</u>
Notes Payable, Net of Current Portion	<u>\$ 4,210,383</u>

The note payable to the Indiana State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant. The school paid \$347,990 on this loan in the year ending June 30, 2022.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 363,529
2024	367,806
2025	372,829
2026	377,717
2027	269,867
Thereafter	<u>2,822,164</u>
Total	<u>\$ 4,573,912</u>

The note payable to First Financial Bank contains certain reporting and financial covenants. As of June 30, 2022, the School was not in compliance with one of the financial covenants. This covenant was waived at June 30, 2022.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 INTEREST RATE SWAP**

In July 2020, the OCS Westfield, LLC entered into an interest rate swap transaction with First Financial Bank. This is guaranteed by the School and Foundation. OSC Westfield, LLC uses the interest rate swap to convert its variable rate debt to a fixed rate as a cash-flow hedge. OSC Westfield, LLC is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, OSC Westfield, LLC does not anticipate nonperformance by the counterparty.

The agreement that took effect on July 1, 2021 (in conjunction with the conversion of the construction loan to term) effectively changes OSC Westfield, LLC's interest rate exposure on its floating rate note payable to 3.27%. This interest rate swap agreement matures on July 24, 2030. This agreement had a total notional principal in the amount of \$3,557,810 at June 30, 2022.

The effective portion of the gain or loss on the interest rate swap is reported as Revenues and Expenses in the consolidated statement of activities and change in net assets in the same period or periods during which the hedged transaction affects the consolidated statement of activities and change in net assets. Gains and losses on the interest rate swap representing either hedge ineffectiveness, or excluded from the assessment of hedge effectiveness, is recognized in the consolidated statement of activities and change in net assets as Revenue and Expenses.

**NOTE 4 LINE OF CREDIT**

On June 2, 2021, the School entered into a \$150,000 line of credit with First Financial Bank that remains in effect until June 2, 2023. The line bears interest at a floating rate per annum equal to the Prime Rate (4.75% at June 30, 2022), is secured by all assets of the School, Foundation, and LLC's, and guaranteed by the Foundation and LLC's. The line has no amounts drawn against it as of June 30, 2022.

The line of credit is subject to the same financial covenants described at Note 2.

**NOTE 5 LEASES**

The School leases its facilities and certain items of office equipment under operating leases, which require various monthly payments over the life of the leases. Total expense under these operating leases was \$556,375 for the year ended June 30, 2022.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 LEASES (CONTINUED)**

Future minimum lease obligations are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 195,761
2024	146,184
2025	140,506
2026	94,963
2027	5,112
Thereafter	-
Total	<u>\$ 582,526</u>

**NOTE 6 COMMITMENTS**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$155,674 for the year ended June 30, 2022. The charter remains in effect until June 30, 2026, and is renewable thereafter by mutual consent.

**NOTE 7 RELATED PARTIES**

The School also employs several members of the superintendent's family. The School paid these individuals \$127,151 during the year ended June 30, 2022.

**NOTE 8 RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 8.5% of compensation for electing teaching faculty to TRF and 14.2% of compensation for other electing employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

TRF eligible employees can also elect to participate in a School-sponsored 403(B) plan in lieu of the State of Indiana – INPRS plan. The School contributes 8.5% of participant compensation to the 403(b) plan.

Full-time employees may also choose to participate in a voluntary salary reduction 403(b) plan. The School will match the employee's contribution up to 1% of their gross wages.

Retirement plan expense was \$517,760 for the year ended June 30, 2022.

**NOTE 9 RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

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

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

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 10 LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022, to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash, cash – restricted, and grants receivable totaling \$660,289 at June 30, 2022, of which \$606,876 is available to meet cash needs for general expenditures within a year.

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

**NOTE 11 FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. Certain expenses have been allocated between program services and management and general expenses. Employee benefits, transportation, office supplies, and other expenses are allocated based on individual employees' function. Occupancy and depreciation expenses are allocated based on their location due to the schools and the administrative facilities are at discreet locations.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
OTHER REPORT  
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Options Charter Schools

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

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Options Charter Schools	Options in Education Foundation, Inc.	OCS Noblesville, LLC	OCS Westfield, LLC	Eliminations	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$ 437,651	\$ 63,596	\$ 21,107	\$ -	\$ -	\$ 522,354
Cash - Restricted	-	-	-	53,413	-	53,413
Grants Receivable	84,522	-	-	-	-	84,522
Related Party Receivable	-	-	-	34,891	(34,891)	-
Prepaid Expenses	101,072	-	-	9,384	-	110,456
Interest Rate Swap	-	-	-	372,635	-	372,635
Total Current Assets	<u>623,245</u>	<u>63,596</u>	<u>21,107</u>	<u>470,323</u>	<u>(34,891)</u>	<u>1,143,380</u>
<b>PROPERTY AND EQUIPMENT</b>						
Land	-	-	-	1,313,089	-	1,313,089
Building and Improvements	-	-	-	3,368,367	-	3,368,367
Leasehold Improvements	37,274	-	-	-	-	37,274
Automobiles	41,527	-	-	-	-	41,527
Furniture and Equipment	336,983	-	2,322,948	169,082	-	2,829,013
Less: Accumulated Depreciation	(266,512)	-	(354,919)	(94,326)	-	(715,757)
Property and Equipment, Net	<u>149,272</u>	<u>-</u>	<u>1,968,029</u>	<u>4,756,212</u>	<u>-</u>	<u>6,873,513</u>
Total Assets	<u>\$ 772,517</u>	<u>\$ 63,596</u>	<u>\$ 1,989,136</u>	<u>\$ 5,226,535</u>	<u>\$ (34,891)</u>	<u>\$ 8,016,893</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Current Portion of Note Payable	\$ 225,800	\$ -	\$ -	\$ 137,729	\$ -	\$ 363,529
Deferred Revenue	-	-	4,000	21,000	-	25,000
Security Deposit	-	-	1,600	1,600	-	3,200
Accounts Payable and Accrued Expenses	434,115	-	-	-	-	434,115
Total Current Liabilities	<u>659,915</u>	<u>-</u>	<u>5,600</u>	<u>160,329</u>	<u>-</u>	<u>825,844</u>
<b>LONG-TERM LIABILITIES</b>						
Note Payable, Net of Current Portion	790,302	-	-	3,420,081	-	4,210,383
Total Liabilities	<u>1,450,217</u>	<u>-</u>	<u>5,600</u>	<u>3,580,410</u>	<u>-</u>	<u>5,036,227</u>
<b>NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS</b>	<u>(677,700)</u>	<u>63,596</u>	<u>1,983,536</u>	<u>1,646,125</u>	<u>(34,891)</u>	<u>2,980,666</u>
Total Liabilities and Net Assets	<u>\$ 772,517</u>	<u>\$ 63,596</u>	<u>\$ 1,989,136</u>	<u>\$ 5,226,535</u>	<u>\$ (34,891)</u>	<u>\$ 8,016,893</u>



**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Options Charter Schools	Options in Education Foundation, Inc.	OCS Noblesville, LLC	OCS Westfield, LLC	Eliminations	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>						
<b>REVENUE AND SUPPORT</b>						
State Education Support	\$ 7,039,260	\$ -	\$ -	\$ -	\$ -	\$ 7,039,260
Contributions and Donations	111,940	28,299	-	-	(110,186)	30,053
Grant Revenue	1,551,590	-	-	-	-	1,551,590
In-Kind Revenue	-	-	10,285	-	-	10,285
Student Fees	24,356	2,021	-	-	-	26,377
Rent Revenue	-	-	85,776	312,000	(397,776)	-
Other Income	-	47,000	-	-	(47,000)	-
Gain on Interest Rate Swap	-	-	-	372,635	-	372,635
Total Revenue and Support	<u>8,727,146</u>	<u>77,320</u>	<u>96,061</u>	<u>684,635</u>	<u>(554,962)</u>	<u>9,030,200</u>
<b>EXPENSES</b>						
Program Services	6,823,325	5,980	72,527	224,846	(507,962)	6,618,716
Management and General	1,912,946	16,018	311	161,940	(47,000)	2,044,215
Total Expenses	<u>8,736,271</u>	<u>21,998</u>	<u>72,838</u>	<u>386,786</u>	<u>(554,962)</u>	<u>8,662,931</u>
<b>CHANGE IN NET ASSETS</b>	(9,125)	55,322	23,223	297,849	-	367,269
Net Assets - Beginning of Year	<u>(668,575)</u>	<u>8,274</u>	<u>1,960,313</u>	<u>1,348,276</u>	<u>(34,891)</u>	<u>2,613,397</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ (677,700)</u>	<u>\$ 63,596</u>	<u>\$ 1,983,536</u>	<u>\$ 1,646,125</u>	<u>\$ (34,891)</u>	<u>\$ 2,980,666</u>



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**SUPPLEMENTAL AUDIT REPORT  
OF  
OPTIONS CHARTER SCHOOLS, INC.**

**HAMILTON COUNTY, INDIANA**

**JULY 1, 2021 TO JUNE 30, 2022**



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**OPTIONS CHARTER SCHOOLS  
HAMILTON COUNTY, INDIANA  
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**OPTIONS CHARTER SCHOOLS  
HAMILTON COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman of Board of Directors	Matt Abbott	07/01/2021 – 06/30/2022
School President and CEO	Mike Gustin	07/01/2021 – 06/30/2022
CFO	Jake Brandau	07/01/2021 – 06/30/2022
School Treasurer	Jack Colwell	07/01/2021 – 06/30/2022



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Options Charter Schools, Inc.  
Carmel, Indiana

We have audited the financial statements of Options Charter Schools, Inc. (the School) as of and for the year ended June 30, 2022 and have issued our report thereon dated March 29, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 29, 2023

**OPTIONS CHARTER SCHOOLS  
HAMILTON COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 TO JUNE 30, 2022**

**AVERAGE DAILY MEMBERSHIP (ADM) TESTING**

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. During our testing of ADM, we noted there were twenty-nine (29) students out of 90 selections where the School did not maintain consistent and complete enrollment records.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil." An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1." IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

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

**PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND SIGNIFICANT AUDIT ADJUSTMENTS**

Numerous audit adjustments were detected as a result of audit procedures related to properly recording of property and equipment activity (approximately \$298,000), grants receivable (approximately \$85,000), accrued expenses (approximately \$103,000), interest rate swap (approximately \$373,000), and related revenue and expenses for those items. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around property and equipment activity, cut-off for accruals, interest rate swap valuation, and financial statement preparation are an important element of internal controls.

Indiana Code 20-24-7-1 provides that "...The state examiner shall establish guidelines and prescribe reporting requirements for organizers under this section that are consistent with generally accepted accounting principles (GAAP)..."

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements about incorrect decision making. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 10)

**OPTIONS CHARTER SCHOOLS  
HAMILTON COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Jack Colwell, School Treasurer, Jake Brandau, Controller, Mike Gustin, CEO and John Kerr, Board Member on March 28, 2023. The officials concurred with our audit findings. The Official Response has been made a part of this report and may be found starting on page 5.





Date: March 27th, 2023

To: CliftonLarsonAllen LLP

From: Jacob Brandau, Chief Financial Officer

Reason: **Audit Response for Options Schools, Inc.**

### **Issue One: ADM TESTING**

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. During our testing of ADM, we noted there were sixteen (29) students out of 90 selections where the School did not maintain consistent and complete enrollment records. Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) that substantiate the number of students claimed for ADM. A student claimed for ADM must be an “eligible pupil.” An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: “‘Eligible pupil’ refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1.” IC 20-43-1-11.5 defines “Enrolled” as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines “Attending” as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered. The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

### **Issue One: Response**

Many of the issues in documents are related to students that enrolled prior to 20/21 and 21/22 school year. We have instituted the creation of a central office enrollment team to request, receive and manage all of the enrollment documents for new students and existing students that have been in our system since as early as the 17/18 school year.

Additionally, with the increased oversight of ADM count information, OCS has instituted an ADM testing internal control that will consist of monthly samples of student registration, attendance, and proof of residency by the CFO to insure completeness and accuracy of records per the SBOA’s guidelines.



### **Issue Two: AUDIT ADJUSTMENTS**

Numerous audit adjustments were detected as a result of audit procedures related to properly recording of property and equipment activity, approximately \$298,000), grants receivable (approximately \$85,000), accrued expenses (approximately \$103,000), interest rate swap (approximately \$373,000), and related revenue and expenses for those items. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around property and equipment activity, cut-off for accruals, interest rate swap valuation, and financial statement preparation are an important element of internal controls.

### **Issue Two: Response**

Options Schools, Inc. (OCS) and Options In Education Foundation, Inc. (OIEF) financial statements are maintained separately. For the last two fiscal years, our auditor's guidance interpretation is that multiple legal entities that have common board members require those entities' financial statements be consolidated into one report. Historically, the conversion to and maintenance of accrual records for both entities has been performed by an outside CPA. This sometimes results in miscommunications leading to missing or inaccurate accrual entries.

#### OCS Items:

This was the case for the school accrued payroll expense calculation variance of \$103,000. The error was discovered by Options' Treasurer, immediately corrected, and revised documents submitted for audit. Options has corrected this process by identifying the source of the miscommunication and will be preparing the initial accrual calculation in house in the future.

Historically, revenue receivables have not been included in OCS fiscal year-end financial statements. This omission resulted from a legacy process of converting cash basis accounting data to accrual basis records. Revenue receivables will be included in all future GAAP based fiscal year-end accrual financial statements.

#### OIEF Items:

**Assets:** In about July 2022, a newly constructed school building costing around \$5MM was placed in service. On the final construction draw report, one large expense item was recorded twice under different descriptions. This resulted in that asset value being recorded twice, while the total reported expenses still balanced. OCS Treasurer identified the specific error and in conjunction with our outside CPA, the error was corrected. Revised asset documents were submitted for audit. Options works diligently to ensure all depreciable assets are expensed and recorded according to SBOA and GAAP guidelines.

The new building was partially financed by an interest rate SWAP agreement. The periodic valuation of the SWAP contract can be complicated. We were aware of this asset in advance of the audit and engaged the audit firm to prepare that calculation for inclusion in the audited financial statements. We now receive that valuation monthly from the lender and will include it in the initial year-end accrual balance sheet submitted for audit.



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**RENAISSANCE ACADEMY, INC.**  
**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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**RENAISSANCE ACADEMY, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Renaissance Academy, Inc.  
La Porte, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Renaissance Academy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Renaissance Academy, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Board of Directors  
Renaissance Academy, Inc.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 10, 2023



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

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 894,421	\$ 673,627
Grants Receivable	229,700	204,875
Other Receivables, Net of Allowance for Doubtful Accounts	38,414	59,669
Prepaid Expenses and Other Assets	14,882	300
Total Current Assets	<u>1,177,417</u>	<u>938,471</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	355,346	355,346
Buildings and Improvements	784,541	777,541
Leasehold Improvements	682,060	649,329
Furniture and Equipment	174,472	174,472
Vehicles	72,622	57,916
Textbooks	33,712	33,712
Less: Accumulated Depreciation	(945,813)	(894,217)
Property and Equipment, Net	<u>1,156,940</u>	<u>1,154,099</u>
Total Assets	<u>\$ 2,334,357</u>	<u>\$ 2,092,570</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Notes Payable	\$ 40,859	\$ 39,170
Accounts Payable and Accrued Expenses	118,203	95,975
Deferred Revenue	83,902	83,924
Total Current Liabilities	<u>242,964</u>	<u>219,069</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable, Net of Current Portion	<u>599,766</u>	<u>640,622</u>
Total Liabilities	842,730	859,691
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
	<u>1,491,627</u>	<u>1,232,879</u>
Total Liabilities and Net Assets	<u>\$ 2,334,357</u>	<u>\$ 2,092,570</u>

See accompanying Notes to Financial Statements.

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

	<u>2022</u>	<u>2021</u>
<b>REVENUE AND SUPPORT, WITHOUT DONOR RESTRICTIONS</b>		
State Education Support	\$ 1,768,119	\$ 1,561,202
Grant Revenue	786,535	542,007
Student Fees	233,645	98,664
Fundraising and Other Income	11,233	5,539
Other Income	50,651	22,656
Total Revenue and Support, Without Donor Restrictions	<u>2,850,183</u>	<u>2,230,068</u>
<b>EXPENSES</b>		
Program Services	1,637,081	1,319,556
Management and General	954,354	788,191
Total Expenses	<u>2,591,435</u>	<u>2,107,747</u>
<b>CHANGE IN NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	258,748	122,321
Net Assets Without Donor Restrictions - Beginning of Year	<u>1,232,879</u>	<u>1,110,558</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<u>\$ 1,491,627</u>	<u>\$ 1,232,879</u>

See accompanying Notes to Financial Statements.

**RENAISSANCE ACADEMY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 859,563	\$ 489,126	\$ 1,348,689	\$ 727,454	\$ 415,601	\$ 1,143,055
Employee Benefits	233,604	174,805	408,409	214,212	139,651	353,863
Professional Services	6,444	54,508	60,952	3,223	25,024	28,247
Staff Development and Recruitment	21,225	-	21,225	543	-	543
Authorizer Oversight Fees	-	51,191	51,191	-	45,036	45,036
Food Costs	19,390	-	19,390	4,951	-	4,951
Classroom, Kitchen, and Office Supplies	92,361	33,400	125,761	67,553	23,840	91,393
Field Trips and Events	48,808	-	48,808	4,260	-	4,260
Occupancy	211,322	-	211,322	176,854	-	176,854
Repairs and Maintenance	48,098	-	48,098	41,870	-	41,870
Information Technology	-	29,482	29,482	-	32,203	32,203
Depreciation	70,275	-	70,275	77,956	-	77,956
Insurance	-	44,290	44,290	-	38,627	38,627
Interest	-	27,992	27,992	-	29,611	29,611
Transportation	23,693	-	23,693	680	-	680
Bad Debt	-	22,000	22,000	-	20,000	20,000
Other	2,298	27,560	29,858	-	18,598	18,598
	<u>\$ 1,637,081</u>	<u>\$ 954,354</u>	<u>\$ 2,591,435</u>	<u>\$ 1,319,556</u>	<u>\$ 788,191</u>	<u>\$ 2,107,747</u>
Total Functional Expenses	<u>\$ 1,637,081</u>	<u>\$ 954,354</u>	<u>\$ 2,591,435</u>	<u>\$ 1,319,556</u>	<u>\$ 788,191</u>	<u>\$ 2,107,747</u>

See accompanying Notes to Financial Statements.

**RENAISSANCE ACADEMY, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 258,748	\$ 122,321
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	70,275	77,956
Provision for (Recovery from) Bad Debts	(10,432)	10,000
Changes in Operating Assets and Liabilities:		
Grants Receivable	(24,825)	(25,606)
Other Receivables	31,687	22,586
Prepaid Expenses	(14,582)	1,465
Accounts Payable and Accrued Expenses	22,228	8,204
Deferred Revenue	(22)	11,743
Net Cash Provided by Operating Activities	333,077	228,669
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(73,116)	(10,260)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments of Notes Payable	(39,167)	(37,549)
<b>NET CHANGE IN CASH</b>	220,794	180,860
Cash - Beginning of Year	673,627	492,767
<b>CASH - END OF YEAR</b>	\$ 894,421	\$ 673,627
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 27,992	\$ 29,611

See accompanying Notes to Financial Statements.

**RENAISSANCE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Renaissance Academy, Inc. (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School served approximately 260 students in grades kindergarten to eight during the 2021-2022 school year. The School also provides an early childhood education program for children ages three and four on a fee basis.

**Revenue Recognition**

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

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

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts unpaid after the service is performed are reported as accounts receivable in the statement of financial position. As of June 30, 2022, 2021, and 2020, the School has \$38,414, \$59,669, and \$92,255, respectively, of accounts receivable from student fees, net of allowance for doubtful accounts. Amounts received prior to service is performed are reported as deferred revenues in the statement of financial position. As of June 30, 2022, 2021 and 2020, the School has \$83,902, \$83,924, and \$72,181, respectively, of deferred revenue from student fees.

**Grant, Contribution, and Fundraising Revenue**

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

**RENAISSANCE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

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

**Grants and Other Receivables**

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such, no allowance for doubtful accounts is deemed necessary with regard to such receivables. Other receivables include student and preschool fees and are reviewed for collectability on an annual basis. The accompanying statements of financial position reflect allowances for doubtful accounts of \$31,443 and \$41,875 as of June 30, 2022 and 2021, respectively.

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

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

Buildings and Improvements	39 Years
Leasehold Improvements	5 to 15 Years
Furniture and Equipment	3 to 7 Years
Vehicles	5 Years
Textbooks	3 Years

**Impairment of Long-Lived Assets**

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

**Deferred Revenue**

Deferred revenue consists of enrollment fees and materials and supplies fees received as part of the enrollment process for the subsequent academic School year.

**Accounting Estimates**

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

**RENAISSANCE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxes on Income**

Renaissance Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

**Recently Issued Accounting Pronouncements**

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

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Subsequent Events**

The School evaluated subsequent events through March 10, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**RENAISSANCE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 2 NOTES PAYABLE**

Notes payable were comprised of the following at June:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Mortgage note payable to 1st Source Bank, payable in monthly installments of \$4,532, including interest at 5.55% per annum through September 2019. The note was refinanced with 1st Source Bank in October 2019, monthly installments of \$5,597, including interest at 4.17% per annum through September 2024. The School drew additional proceeds of \$327,681 to be used for loan closing costs, facility and grounds improvements, and operations.	\$ 640,625	\$ 679,792
Less: Current Portion	<u>(40,859)</u>	<u>(39,170)</u>
Long-Term Portion	<u>\$ 599,766</u>	<u>\$ 640,622</u>

Principal maturities of notes payable, after the October 2019 refinancing and including the additional loan proceeds, are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 40,859
2024	42,553
2025	<u>557,213</u>
Total	<u>\$ 640,625</u>

**NOTE 3 RELATED PARTY LEASE**

The School leases a portion of the School facilities from V&K, LLC under a 10-year lease that ends June 30, 2027. The lease is accounted for as an operating lease. V&K, LLC is owned by Kieran McHugh and Vicki McHugh, both of whom are employees of the School. Under the lease agreement, monthly base rent is \$8,191 (adjusted annually by the rate of inflation, as defined) and the School is responsible for all utilities and insurance on the contents. Expense under this lease was \$108,352 and \$102,531 for the years ended June 30, 2022 and 2021, respectively.



**RENAISSANCE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 3 RELATED PARTY LEASE (CONTINUED)**

Future minimum lease obligations under this lease (ignoring the annual rate of inflation adjustment) are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 98,292
2024	98,292
2025	98,292
2026	98,292
2027	98,292
Thereafter	98,292
Total	<u>\$ 589,752</u>

**NOTE 4 COMMITMENTS**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. Expense under this charter agreement was \$51,191 and \$45,036 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2022 and is renewable thereafter by mutual consent.

**NOTE 5 RETIREMENT PLANS**

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board.

Contribution requirements of plan members are determined by the INPRS Board. Under the plans, for both years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

In addition, the school has a 401k program for eligible employees. Under the plan, the School matches 100% of employee contributions up to 4%.

Total retirement plan expense was \$112,930 and \$90,322 for the years ended June 30, 2022 and 2021, respectively.

**RENAISSANCE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 6 RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022 and 2021, substantially all of the grants receivable balance was due from the state of Indiana. All cash deposits are maintained at 1<sup>st</sup> Source Bank and are insured up to the Federal Deposit Insurance Corporation (FDIC) insurance up to the legal limit.

The Coronavirus Disease (COVID-19) pandemic continues to have significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including operating virtually for some periods of time and additional grant revenues. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

**NOTE 7 LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash, grants receivable, and other receivables, net of allowance for doubtful accounts. Financial assets at June 30, 2022 and 2021 total \$1,162,535 and \$938,171, respectively, all of which are available to meet cash needs for general expenditures within a year.

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

**RENAISSANCE ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 8    FUNCTIONAL EXPENSE REPORTING**

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

**RENAISSANCE ACADEMY, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>ASSETS</b>	Renaissance Academy Charter	Renaissance Academy Pre-K	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash	\$ 712,032	\$ 182,389	\$ -	\$ 894,421
Grants Receivable	229,700	-	-	229,700
Other Receivables, Net of Allowance for Doubtful Accounts	23,475	14,939	-	38,414
Prepaid Expenses	14,882	-	-	14,882
Total Current Assets	<u>980,089</u>	<u>197,328</u>	-	<u>1,177,417</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land	355,346	-	-	355,346
Buildings and Improvements	784,541	-	-	784,541
Leasehold Improvements	682,060	-	-	682,060
Furniture and Equipment	174,472	-	-	174,472
Vehicles	-	72,622	-	72,622
Textbooks	33,712	-	-	33,712
Less: Accumulated Depreciation	(899,899)	(45,914)	-	(945,813)
Property and Equipment, Net	<u>1,130,232</u>	<u>26,708</u>	-	<u>1,156,940</u>
Total Assets	<u>\$ 2,110,321</u>	<u>\$ 224,036</u>	<u>\$ -</u>	<u>\$ 2,334,357</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Current Portion of Notes Payable	\$ 40,859	\$ -	\$ -	\$ 40,859
Accounts Payable and Accrued Expenses	118,203	-	-	118,203
Deferred Revenue	64,340	19,562	-	83,902
Total Current Liabilities	<u>223,402</u>	<u>19,562</u>	-	<u>242,964</u>
<b>LONG-TERM LIABILITIES</b>				
Notes Payable, Net of Current Portion	<u>599,766</u>	-	-	<u>599,766</u>
Total Liabilities	823,168	19,562	-	842,730
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>1,287,153</u>	<u>204,474</u>	-	<u>1,491,627</u>
Total Liabilities and Net Assets	<u>\$ 2,110,321</u>	<u>\$ 224,036</u>	<u>\$ -</u>	<u>\$ 2,334,357</u>

**RENAISSANCE ACADEMY, INC.**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Renaissance Academy Charter	Renaissance Academy Pre-K	Total
<b>REVENUE AND SUPPORT</b>			
State Education Support	\$ 1,768,119	\$ -	\$ 1,768,119
Grant Revenue	786,535	-	786,535
Student Fees	121,239	112,406	233,645
Fundraising and Other Income	11,233	-	11,233
Other Income	50,586	65	50,651
Total Revenue and Support	<u>2,737,712</u>	<u>112,471</u>	<u>2,850,183</u>
<b>EXPENSES</b>			
Program Services	1,576,114	60,967	1,637,081
Management and General	913,287	41,067	954,354
Total Expenses	<u>2,489,401</u>	<u>102,034</u>	<u>2,591,435</u>
<b>CHANGE IN NET ASSETS</b>	248,311	10,437	258,748
Net Assets - Beginning of Year	<u>1,038,842</u>	<u>194,037</u>	<u>1,232,879</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,287,153</u>	<u>\$ 204,474</u>	<u>\$ 1,491,627</u>

**RENAISSANCE ACADEMY, INC.  
OTHER REPORT  
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Renaissance Academy, Inc.

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



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**SUPPLEMENTAL AUDIT REPORT  
RENAISSANCE ACADEMY, INC.  
LAPORTE COUNTY, INDIANA  
JULY 1, 2021 TO JUNE 30, 2022**



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LAPORTE COUNTY, INDIANA  
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**RENAISSANCE ACADEMY, INC.  
LAPORTE COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Ann Bates	07/01/2021 – 06/30/2022
Head of School	Kieran McHugh	07/01/2021 – 06/30/2022
Administrator	Alex Gayheart	07/01/2021 – 06/30/2022



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Renaissance Academy, Inc.  
La Porte, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Renaissance Academy, Inc. (the School), as of and for the year ended June 30, 2022, and have issued our report thereon dated March 10, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 10, 2023

**RENAISSANCE ACADEMY, INC.  
LAPORTE COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 TO JUNE 30, 2022**

**AVERAGE DAILY MEMBERSHIP (ADM) TESTING**

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The process used by the School to determine eligible pupil status resulted in two (2) students of the 52 tested being included in the ADM count that did not meet the qualifications of an eligible pupil but was included in the count date reporting and certification.

During the year ended June 30, 2022, School officials contacted the Indiana Department of Education, Division of School Finance, and determined possible steps to be taken to correct any overpayment applicable to the School because of the incorrect reporting. Corrective action completed as of June 30, 2022 as this was reconciled with the May 2022 payment.

**RENAISSANCE ACADEMY, INC.  
LAPORTE COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Alex Gayheart (Administrator), Tina Bushue (Accountant), and Jack Stewart (Vice President of the Board) on March 10, 2023. The officials concurred with our audit finding. The Official Response has been made part of this report and may be found on page 5.



## SUPPLEMENTAL AUDIT REPORT RESPONSES

### AVERAGE DAILY MEMBERSHIP (ADM) TESTING

Two students, siblings, that had attended Renaissance since 2017 & 2019 were in attendance on the first day of school, 8/21/21. They indicated they were re-enrolling and would continue attending virtually as they had at the end of the 2020 school year. They were reported on both Period 1 and Period 2 Membership reports for the 2021-22 SY as it was believed by administration that they were participating virtually. In the spring, it became known by administration that they were actually not participating, and administration immediately contacted the Indiana Department of Education Finance Department to report the error and took the steps necessary to correct it. It was resolved as of May 13, 2022.

Though unlikely to occur again in the future due to year-round virtual attendance at Renaissance being a pandemic specific option, steps will be taken to confirm attendance and participation of virtual only students.

Submitted by:

Alex Gayheart  
Chief Administrator



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**RURAL COMMUNITY SCHOOLS, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rural Community Schools, Inc.  
Sullivan, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Community Schools, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Community Schools, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

***Emphasis of Matter Regarding School Closure***

As discussed in Note 2, subsequent to the year ended June 30, 2022, the School's Board of Directors voted to cease operations of the School effective June 30, 2023. There is no assurance that the school will be able to meet its financial obligations. Our opinion is not modified with respect to this matter.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 23, 2023

**RURAL COMMUNITY SCHOOLS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 366,102	\$ 270,185
Grants Receivable	<u>65,214</u>	<u>5,149</u>
Total Current Assets	431,316	275,334
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold Improvements	173,197	173,197
Furniture and Equipment	347,036	334,136
Textbooks and Library Books	79,430	79,430
Less: Accumulated Depreciation	<u>(456,188)</u>	<u>(438,274)</u>
Property and Equipment, Net	<u>143,475</u>	<u>148,489</u>
Total Assets	<u><u>\$ 574,791</u></u>	<u><u>\$ 423,823</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 60,029	\$ 64,611
<b>LONG-TERM LIABILITIES</b>		
Loan Payable Under Paycheck Protection Program	-	176,100
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>514,762</u>	<u>183,112</u>
Total Liabilities and Net Assets	<u><u>\$ 574,791</u></u>	<u><u>\$ 423,823</u></u>

See accompanying Notes to Financial Statements.

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

	2022	2021
<b>REVENUE AND SUPPORT</b>		
State Education Support	\$ 1,015,983	\$ 752,806
Gain on Extinguishment of Debt	176,100	162,500
Grant Revenue	549,784	289,751
Student Fees	2,853	1,340
Extracurricular Activities Revenue	23,358	14,238
Contributions	95,250	2,207
Other Income	19,155	3,945
Total Revenue and Support	1,882,483	1,226,787
<b>EXPENSES</b>		
Program Services	1,108,399	926,785
Management and General	442,434	354,316
Total Expenses	1,550,833	1,281,101
<b>CHANGE IN NET ASSETS</b>	331,650	(54,314)
Net Assets - Beginning of Year	183,112	237,426
<b>NET ASSETS - END OF YEAR</b>	\$ 514,762	\$ 183,112

See accompanying Notes to Financial Statements.

**RURAL COMMUNITY SCHOOLS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 602,284	\$ 220,990	\$ 823,274	\$ 477,796	\$ 190,135	\$ 667,931
Employee Benefits	96,753	63,999	160,752	134,497	48,130	182,627
Staff Development	12,729	-	12,729	7,424	-	7,424
Professional Services	60,473	6,674	67,147	62,185	5,089	67,274
Textbooks and Education Materials	29,613	-	29,613	12,212	-	12,212
Authorizer Oversight Fees	-	24,101	24,101	-	19,308	19,308
Food Costs	58,859	-	58,859	41,642	-	41,642
Transportation	29,592	1,276	30,868	30,287	1,734	32,021
Equipment and Rentals	-	-	-	-	28,210	28,210
Classroom, Kitchen, and Office Supplies	15,605	2,192	17,797	5,894	8,368	14,262
Extracurricular Activities	40,747	-	40,747	19,546	-	19,546
Occupancy	141,453	4,299	145,752	107,148	4,251	111,399
Depreciation	17,914	-	17,914	27,164	-	27,164
Insurance	-	27,376	27,376	-	27,978	27,978
Advertising	-	65,876	65,876	-	16,358	16,358
Other	2,377	25,651	28,028	990	4,755	5,745
<b>Total Functional Expenses</b>	<b><u>\$ 1,108,399</u></b>	<b><u>\$ 442,434</u></b>	<b><u>\$ 1,550,833</u></b>	<b><u>\$ 926,785</u></b>	<b><u>\$ 354,316</u></b>	<b><u>\$ 1,281,101</u></b>

See accompanying Notes to Financial Statements.

**RURAL COMMUNITY SCHOOLS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 331,650	\$ (54,314)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	17,914	27,164
Gain on Extinguishment of Debt	(176,100)	(162,500)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(60,065)	50,059
Accounts Payable and Accrued Expenses	(4,582)	11,817
Net Cash Provided (Used) by Operating Activities	108,817	(127,774)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(12,900)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Loan Payable Under Paycheck Protection Program	-	176,100
<b>NET CHANGE IN CASH</b>	95,917	48,326
Cash - Beginning of Year	270,185	221,859
<b>CASH - END OF YEAR</b>	\$ 366,102	\$ 270,185

See accompanying Notes to Financial Statements.

**RURAL COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Rural Community Academy (the School or RCA) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School provides educational instruction to students in grades kindergarten through eight, serving approximately 118 students during the 2021-2022 School year and approximately 97 students in the 2020-2021 School year. The student count is 87 for the 2022-2023 School year.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Cash and Cash Equivalents**

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

**Grants Receivable**

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

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

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

Leasehold Improvements	15 to 40 Years
Furniture and Equipment	5 to 10 Years
Textbooks and Library Books	5 Years



**RURAL COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

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

**Revenue Recognition**

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

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

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

**Grants and Contribution Revenue**

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

**Taxes on Income**

The School is a nonprofit corporation, exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(3).

The School is subject to unrelated business income tax on any activities unrelated to its tax-exempt purpose, of which the School had none for the years ended June 30, 2022 and 2021. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

**RURAL COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxes on Income (Continued)**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the School, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

**Recent Accounting Pronouncements**

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

**Subsequent Events**

The School evaluated subsequent events through March 23, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 GOING CONCERN CONSIDERATION**

As of September 2022, the School saw a large decrease in student enrollment from February 2022. The enrollment decreased 31% from 127 students to 87 students, thus causing lost revenue for Fiscal Year 2023 of an estimated amount of \$26,667 a month (\$320,000 annually). During the year ended June 30, 2022, revenue exceeded expenses by approximately \$331,000. While the School has approximately \$431,000 of financial assets as of June 30, 2022, saw increased enrollment for the 2021-2022 School year, and was able to replenish cash reserves, it does not alleviate substantial doubt about the School's ability to continue as a going concern beyond 12 months of the date of the accompanying audit report.

**Management's Response**

RCA financial viability is based on student enrollment. We have been aware that with decreased enrollment, RCA does not receive enough funding to allow for continued operation into the future unless enrollment is brought up. With the current trend in enrollment and projections for the next year, we have withdrawn the School's application for charter renewal and elected to close the School effective June 30, 2023.

**RURAL COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 3 LEASES**

The School leases its facility under an operating lease that is renewable annually and provides for monthly rental payments of \$1,000. Under the terms of the facilities lease, the School is responsible for the cost of utilities and maintenance. The School also leases a copier on a short-term contract. Rent expense for the years ended June 30, 2022 and 2021 was \$24,346 and \$23,366, respectively.

**NOTE 4 COMMITMENTS**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$24,101 and \$19,308 for the years ended June 30, 2022 and 2021, respectively. The charter was extended one year until June 30, 2023 and is renewable thereafter by mutual consent.

**NOTE 5 PAYROLL PROTECTION PROGRAM LOAN**

The School had a Loan of \$176,100 from First Financial Bank at June 30, 2021 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loans bear interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in December 2021, principal and interest payments will be required through the maturity date in February 2026.

On October 5, 2021 and November 20, 2020, the School was notified that the PPP Loans in the amounts of \$176,100 and \$162,500, respectively were forgiven and recorded as a gain on extinguishment of debt in the accompanying statements of activities and changes in net assets.

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

**RURAL COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 6 RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 7.25% of compensation for eligible teaching personnel to TRF and 11.25% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

Retirement plan expense was \$59,849 and \$48,947 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 7 RISKS AND UNCERTAINTIES**

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

The World Health Organization declared the spread of COVID-19 a worldwide pandemic. The COVID-19 pandemic is still having significant effects on domestic and global markets, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including but not limited to, more extensive virtual School attendance, declines in enrollment reducing student based revenue, and expanded grant revenue available. Management believes the organization is taking actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022 and 2021, substantially all of the receivable balance was due from the state of Indiana. Cash deposits are maintained at First Financial Bank and are insured up to the Federal Deposit Insurance Corporation (FDIC) insurance limit. Cash balances exceeded FDIC insured limits at various times during the year.

**RURAL COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 8 LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2022 and 2021 totaled \$431,316 and \$275,334, respectively, all of which are available to meet cash needs for general expenditures within one year.

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

**NOTE 9 FUNCTIONAL EXPENSE REPORTING**

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

**RURAL COMMUNITY SCHOOLS, INC.  
OTHER REPORT  
JUNE 30, 2022 AND 2021**

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

Supplemental Audit Report of Rural Community Schools, Inc.

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



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**SUPPLEMENTAL AUDIT REPORT  
OF  
RURAL COMMUNITY SCHOOLS, INC.**

**SULLIVAN COUNTY, INDIANA**

**JULY 1, 2021 TO JUNE 30, 2022**



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**RURAL COMMUNITY SCHOOLS, INC.**  
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**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Susie Pierce	07/01/2021 – 06/30/2022
School Leader	Derek Grant	07/01/2021 – 06/30/2022
Chief Financial Officer	Leona Davis	07/01/2021 – 06/30/2022
Treasurer of Board of Directors	Darin May	07/01/2021 – 06/30/2022



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rural Community Schools, Inc.  
Sullivan, Indiana

We have audited the financial statements of Rural Community Schools, Inc. (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 23, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
March 23, 2023

**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2021 TO JUNE 30, 2022**

**REQUIRED REPORTS – ANNUAL FINANCIAL REPORT (AFR)**

During our testing, it was noted that the Annual Financial Report (AFR) was not filed with the state per review of the Indiana Gateway website.

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

**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on March 23, 2023, with Susie Pierce (Board President) and Derek Grant (School Leader). The official response has been made a part of this report and may be found starting on page 5.

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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

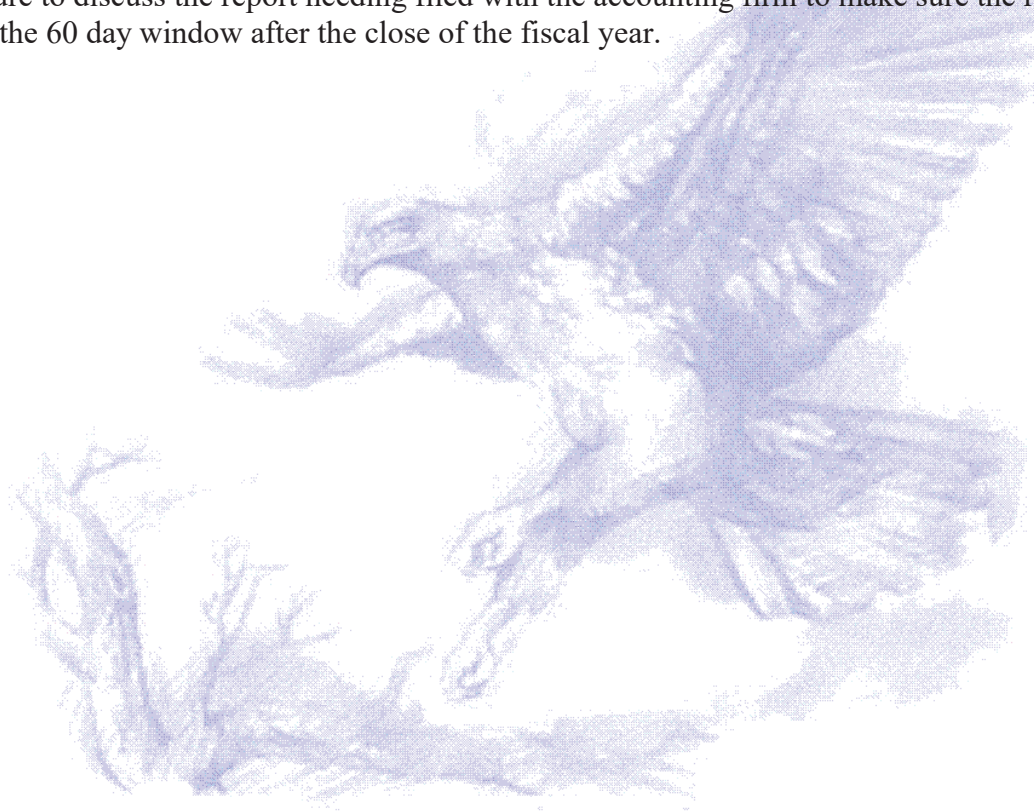
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3/14/2023

Management response to audit findings:

RE: Required Reports – Annual Financial Report

Each year an outside accounting firm files the AFR with the state on behalf of Rural Community Academy. It was the assumption of the School Leader that they knew when, and that it needed to be filed. The School Leader did not make the accounting firm aware that the report was due and though contact was eventually made about the report there was confusion as to who was going to complete the report it and it was subsequently not filed until the finding was made aware. Leadership will be better prepared in the future to discuss the report needing filed with the accounting firm to make sure the report is filed within the 60 day window after the close of the fiscal year.



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*“Come to the edge.” “It’s too high.” “Come to the edge.” “We might fall.” “Come to the edge.”  
And they came. And he pushed them. And they flew. –Apollinaire*



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