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March 28, 2014

Charter School Board
Joshua Academy, Inc.
1230 E. Illinois Street
Evansville, IN 47711

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Kemper CPA Group, LLP, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Joshua Academy, Inc., as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report. Page 13 contains one current audit finding. Management's response is on page 13.

In addition to the report presented herein, a Supplemental Audit Report for Joshua Academy, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

State Board of Accounts

JOSHUA ACADEMY, INC.

**FINANCIAL STATEMENT
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2013

(With Independent Auditor's Report Thereon)



JOSHUA ACADEMY, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Joshua Academy, Inc.

Report on the Financial Statements

We have audited the accompanying statement of cash receipts and disbursements of Joshua Academy, Inc. (a nonprofit organization), for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Guidelines for the Audits of Charter Schools Performed by Private Examiners* as issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free from material misstatement.

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

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

Board of Directors
Joshua Academy, Inc.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of Joshua Academy, Inc. for the year ended June 30, 2013 in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014, on our consideration of Joshua Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Joshua Academy, Inc.'s internal control over financial reporting and compliance.

Evansville, Indiana
March 5, 2014



Certified Public Accountants and Consultants

JOSHUA ACADEMY, INC.
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2013

Cash receipts:

State basic grant	\$ 1,327,545
Financing received	235,771
Other state support	160,040
Federal grant revenue	161,633
School food services	188,052
Student fees	3,327
Child care fees	61,501
Rental income	400
Contributions	62,046
Textbook rental and sale	5,250
Fundraising income	4,909
Other income	8,663
Collections on note receivable	6,549
	6,549
 Total cash receipts	 2,225,686

Cash disbursements:

Salaries and wages	1,043,850
Payroll taxes	91,087
Employee benefits	171,456
Training and professional development	3,298
Professional fees	172,037
Utilities	93,103
Repairs and maintenance	30,430
Equipment rental	18,198
Supplies	81,738
Student transportation	1,030
Insurance	29,190
Telephone	6,958
Postage and printing	3,898
Travel	2,661
Advertising	4,285
Food purchases	72,611
Books and periodicals	44,912
Uniforms	1,875
Interest expense	22,683
Other expenses	15,186
Principle payments on long-term debt	241,928
Building and equipment expense	12,213
Computer expense	17,297
Dues and fees	951
Bank service charges	1,008
	1,008
 Total cash disbursements	 2,183,883

Increase in cash	41,803
Cash, beginning of year	42,495
Cash, end of year	\$ 84,298

JOSHUA ACADEMY, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013

Note 1 – Organization and Summary of Significant Accounting Policies

A. Organization

Joshua Academy, Inc. (Academy) is a not-for-profit organization that provides primary education for children in kindergarten through grade six. The Academy is incorporated under the laws of the State of Indiana and is a public charter school sponsored by the Evansville-Vanderburgh School Corporation, which granted a charter to the Academy under Indiana Code 20-24-3-1.

B. Basis of Accounting

The accompanying financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash receipts and disbursements basis differs from generally accepted accounting principles primarily because the effects of revenue not collected and expenses not paid at the date of the financial statement are not included in the financial statement.

C. Cash

The Academy maintains its cash balance in a checking account at a local financial institution.

D. Receipts

Receipts come primarily from resources provided under the Indiana Charter Schools Act. Under the Act, the Academy receives an amount per student in relation to funding received by public schools in the same geographic area. This state basic grant from the State of Indiana is based on enrollment, and is paid in equal monthly installments, which are recognized as revenue when received.

The Academy also receives revenue related to cost reimbursements grants, which is also recognized as revenue when reimbursements are received.

Note 2 – Subsequent Events

The Academy has evaluated subsequent events through March 5, 2014, the date the financial statement was available to be issued.

JOSHUA ACADEMY, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013

Note 3 – Income Taxes

The Academy is exempt from income taxes as a nonprofit corporation under Section 501(c)3 of the Internal Revenue Code, except on net income derived from unrelated business activities. The Academy believes that it has support for any tax positions that are material to the financial statement.

With a few exceptions, the Academy is no longer subject to U.S. federal and state examinations by tax authorities for years before 2010.

Note 4 – Defined Benefit Retirement Plans

A. Teachers' Retirement Fund

Plan Description: Certified employees participate in the Indiana Teachers' Retirement Fund (TRF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the INPRS Board of Trustees, most requirements of the system, and gives the school corporations authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions, plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, plus the interest credited to the member's account. School corporations may elect to make the contributions on behalf of the member.

Funding Policy: Plan members are required to contribute 3% of their annual creditable compensation, set by state statute. The Academy is required to contribute at an actuarially determined rate (7.5 % for the year ended June 30, 2013), as established, and which may be amended, by the INPRS Board of Trustees. The Academy did elect to make the annuity contributions on behalf of each member. Contributions to TRF for the year ended June 30, 2013 totaled \$72,015, and equaled the required contributions for the year.

B. Public Employees' Retirement Fund

Plan Description: Non-certified employees participate in the Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). All full-time employees are eligible to participate in PERF. State statutes (IC 5-10.2 and 5-10.3) govern, through the INPRS Board of Trustees, most requirements of the system, and give the employer authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions, plus an annuity provided by the member's annuity savings account.

JOSHUA ACADEMY, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013

Note 4 – Defined Benefit Retirement Plans (Concluded)

B. Public Employees’ Retirement Fund (Concluded)

The annuity savings account consists of member’ contributions, plus the interest credited to the member’s account. Employers may elect to make the contributions on behalf of the member.

Funding Policy: Plan members are required to contribute 3% of their annual creditable compensation, set by state statute. The Academy is required to contribute at an actuarially determined rate (9.25% for the year ended June 30, 2013), as established, and which may be amended, by the INPRS Board of Trustees. The Academy did elect to make the annuity contributions on behalf of each member. Contributions to PERF for the year ended June 30, 2013, totaled \$23,121, and equaled the required contributions for the year.

IRPS administers both of these plans, and issues publicly available financial reports for each, which include financial statements and required supplementary information. These reports may be obtained by contacting INPRS, 1 North Capital Street, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

Note 5 – Leases

The Academy leases two copiers under cancelable operating leases. The lease agreements provide for minimum future rental payments as of June 30, 2013, as follows:

Year ending June 30	
2014	\$ 9,643
2015	7,999
2016	1,288
Total minimum rentals	<u>\$ 18,930</u>

Rental expense for the leases totaled \$18,198 for the year ended June 30, 2013.

Note 6 – Functional Expenses

A summary of expenses by functional classification for the year ended June 30, 2013, is as follows:

Program	\$ 1,761,537
Management and General	160,397
Fundraising	20,021
	<u>\$ 1,941,955</u>

JOSHUA ACADEMY, INC.
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013

Note 7 – Concentration

Amount received under the state basic grant totaled 67% of all cash receipts in fiscal year 2013.

Note 8 – Contingencies

The Academy receives funding from Federal and state agencies and from private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request refund of monies advanced, or refuse to reimburse the Academy for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Academy's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Note 9 – Cash

Cash is comprised of the following at June 30, 2013:

Restricted	\$ 12,504
Unrestricted	71,794
	<u>\$ 84,298</u>

JOSHUA ACADEMY, INC.
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

The following supplementary information is required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners*.



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Joshua Academy, Inc.

We have audited the financial statement of Joshua Academy, Inc. as of and for the year ended June 30, 2013, and our report thereon dated March 5, 2014, which expressed an unmodified opinion on the financial statement, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. the Schedule of Receivables, Schedule of Capital Assets, Schedule of Accounts Payable, and Schedule of Debt, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we do not express an opinion or provide any assurance on it.

Kemper CPA Group, LLP

Evansville, Indiana
March 5, 2014

Certified Public Accountants and Consultants

JOSHUA ACADEMY, INC.
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

Schedule of Receivables

Note receivable, unsecured, dated September 1, 2011, due in monthly installments of \$499 plus interest through August 1, 2015, bearing interest at 0.25%	<u>\$ 12,353</u>
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Accounts Receivable:

Indiana Department of Transportation	\$ 179,000 ^a
Lunch fund	7,763
Title I income	3,433
Title II income	1,044
Special education grant	585
General fund	<u>1,677</u>
	<u>\$ 193,502</u>

Schedule of Capital Assets

Moveable equipment	\$ 66,299
Computer hardware	109,514
Other technology equipment	22,967
Kitchen equipment	2,255
Storage building	1,309,139
School bus	26,130
Land	<u>274,400</u>
	<u>\$ 1,810,704</u>

Schedule of Accounts Payable

Lunch fund	\$ 13,598
General fund	<u>60,956</u>
	<u>\$ 74,554</u>

Schedule of Debt

Common School Loan, unsecured, dated July 1, 2005 due in semi-annual installments of \$13,322 plus interest through July 1, 2025 bearing interest at 4%	\$ 0 ^b
Note payable, secured by building, dated June 7, 2011, due in monthly installments of \$4,197 including interest through December 1, 2014, bearing interest at 0.35%	75,328
Note payable, unsecured, dated June 30, 2009, due in monthly installments of \$3,360 including interest through June 30, 2015, bearing interest at 7.49%	121,387
	<u>\$ 196,715</u>

a Plans are currently underway for the construction of a cloverleaf entrance and exit ramp at the intersection of the Lloyd Expressway/SR 62 W/SR 66 E and U.S. Route 41. The construction of cloverleaf will impede upon the Academy school grounds. The \$179,000 receivable from the I.D.O.T is for costs related to the loss of the ground and related costs to reconstruct parking and playground areas.

b The Academy applied for and received loan forgiveness from the State of Indiana for the funding received for the construction of the School. The Common School Loan, which had a balance of \$339,712, was forgiven by the State in July of 2013.



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

Board of Directors
Joshua Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Joshua Academy, Inc. (a nonprofit organization), which comprise the statement of cash receipts and disbursements for the year ended June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered Joshua Academy, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Joshua Academy, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in items 2013-1 in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

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

Joshua Academy Inc.'s Response to Findings

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

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

Kramer CPA Group, LLP

Evansville, Indiana
March 5, 2014

Certified Public Accountants and Consultants

JOSHUA ACADEMY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

Findings – Financial Statement Audit

Material Weakness:

Finding 2013-1:

Segregation of Duties

Due to the limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. This lack of segregation of duties increases the opportunity for misappropriation of Academy assets and weakens the Academy's ability to detect possible misappropriations. Specifically, monies are generally received by the Director of Finance, who also issues receipts, prepares the daily deposit, records transactions in the general ledger, signs checks and reconciles the bank account.

Recommendation

We recommend that the secretary receive and receipt all monies received, restrictively endorse all checks, and prepare a log of such before forwarding the daily receipts to the Director of Finance for deposit preparation. The Executive Director or a member of the Financial Affairs Committee should periodically compare the listing to the deposit totals. The Finance Director should no longer have the ability to sign checks.

Management Response

Joshua Academy is currently in the process of looking into options to replace the Finance Director as a signor on the bank account. This will take some time to address the logistics and identify an appropriate replacement; however, the goal is to resolve this during the current fiscal year. Additionally, the Business Affairs Committee is reviewing the process for receiving and restrictively endorsing all monies to determine the most appropriate staff position to perform this role.

JOSHUA ACADEMY, INC.
OTHER REPORT
YEAR ENDED JUNE 30, 2013

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

Supplemental Compliance Examination Report of the Joshua Academy, Inc.