



**STATE OF INDIANA**  
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April 9, 2014

Charter School Board  
Indiana Cyber Charter School  
7508 Beechwood Centre Road  
Avon, IN 46123

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Alerding CPA Group, 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 Indiana Cyber Charter School 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.

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

*State Board of Accounts*

# **INCYBER**

The Indiana Cyber Charter School

FINANCIAL STATEMENTS

JUNE 30, 2013



# INDIANA CYBER CHARTER SCHOOL, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
INDIANA CYBER CHARTER SCHOOL  
Indianapolis, Indiana

We have audited the accompanying financial statements of INDIANA CYBER CHARTER SCHOOL, INC., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, 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 financial statements are free of material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INDIANA CYBER CHARTER SCHOOL, INC. as of June 30, 2013, and the changes in net assets, functional expenses, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*A leading CPA Group*

December 11, 2013

# INDIANA CYBER CHARTER SCHOOL, INC.

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2013

### ASSETS

**Assets:**

Cash	\$	53,533
Grant receivable		64,574
Prepaid expenses		<u>175,541</u>
Total assets	\$	<u>293,648</u>

### LIABILITIES AND NET ASSETS

**Liabilities:**

Current maturities of long-term debt	\$	164,241
Accounts payable		<u>93,959</u>
Total current liabilities		258,200

**Long-Term Debt**237,841

Total liabilities

496,041

**Net Assets - Unrestricted**(202,393)

Total liabilities and net assets

\$ 293,648

See accompanying Notes to Financial Statements.

# INDIANA CYBER CHARTER SCHOOL, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2013

### Revenues and Support:

Public revenue and support	
State funding	\$ 202,692
Contributions and grants	<u>93,022</u>
Total public revenue and support	295,714
Forgiveness of debt	163,594
Other income (expense), net	<u>488</u>
Total revenue and support	<u>459,796</u>

### Expenses:

Program services	504,128
Management and general	104,898
Fundraising	<u>53,163</u>
Total operating expenses	<u>662,189</u>
Change in net assets	(202,393)

**Net Assets, Beginning of Year** -0-

**Net Assets, End of Year** \$ (202,393)

See accompanying Notes to Financial Statements.

## INDIANA CYBER CHARTER SCHOOL, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>		Management and	<u>Fundraising</u>	<u>Total</u>
	<u>Grants</u>	<u>Academics</u>	<u>General</u>		
<b>Labor and Benefits:</b>					
Salaries	\$ -0-	\$ 116,014	\$ 16,188	\$ 2,698	\$ 134,900
Employee benefits	-0-	23,388	3,263	544	27,195
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total labor and benefits	-0-	139,402	19,451	3,242	162,095
<b>Other Expenses:</b>					
Course materials/supplies	3,120	91,477	16,693	-0-	111,290
Professional services	30,961	31,082	62,042	-0-	124,085
Instructional services	-0-	56,246	-0-	-0-	56,246
Community relations	25,000	-0-	-0-	39,182	64,182
Instructional staff training	23,175	9,479	-0-	-0-	32,654
Travel and entertainment	-0-	22,310	-0-	9,562	31,872
Rent	-0-	20,640	2,880	480	24,000
Computers and equipment	7,641	6,208	1,077	462	15,388
Insurance	-0-	12,120	1,347	-0-	13,467
Information technology	3,125	8,744	-0-	-0-	11,869
Office expenses	-0-	5,784	807	135	6,726
Food services	-0-	3,310	-0-	-0-	3,310
Utilities	-0-	2,288	319	53	2,660
Miscellaneous	-0-	34	5	1	40
Dues and fees	-0-	1,982	277	46	2,305
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 93,022	\$ 411,106	\$ 104,898	\$ 53,163	\$ 662,189

See accompanying Notes to Financial Statements.

# INDIANA CYBER CHARTER SCHOOL, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2013

### **Cash Flows from Operating Activities:**

Change in net assets	\$ (202,393)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Forgiveness of debt	(163,594)
Changes in operating assets and liabilities:	
Grant receivable	(64,574)
Prepaid expenses	(175,541)
Accounts payable	<u>93,959</u>
Net cash used in operating activities	<u>(512,143)</u>

### **Cash Flows from Financing Activities:**

Borrowings under long-term debt	<u>565,676</u>
Net increase	53,533

### **Cash, Beginning of Year**

-0-

### **Cash, End of Year**

\$ 53,533

See accompanying Notes to Financial Statements.

# INDIANA CYBER CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Description of Organization

Indiana Cyber Charter School, Inc. ("IN Cyber"), formed in April 2012 with operations beginning in February 2013, is a public charter school headquartered in Schererville, Indiana with academic facilities throughout the state. IN Cyber offers students and families a chance to customize their education using advanced technology, highly qualified teachers and intensely personalized instruction with a dynamic, interactive curriculum that satisfies, challenges, and engages thousands of students across the state.

The significant accounting policies followed by IN Cyber in the preparation of its financial statements are summarized below:

#### Basis of Presentation

Net assets, support, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are net assets not subject to donor-imposed restrictions and are, therefore, available to support the general operations of IN Cyber. All net assets of IN Cyber and the changes therein are classified and reported herein as unrestricted net assets.

#### Revenue Recognition and Contributions

Revenues and support are reported as increases in unrestricted or temporarily restricted net assets based upon donor-imposed restrictions, if any. IN Cyber records donor-restricted contributions whose restrictions are satisfied in the same reporting period as unrestricted support and revenue.

#### Functional Expenses

Expenses are functionally classified as Program Services, Management and General, and Fundraising. Classifications are based on cost allocations determined by IN Cyber's personnel.

#### Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Significant estimates employed in preparation of IN Cyber's financial statements include the allocation of functional expenses.

# INDIANA CYBER CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### Income Taxes

IN Cyber is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been recorded for Federal or state income taxes.

Management of IN Cyber evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of June 30, 2013, Management does not believe IN Cyber has taken any tax positions that are not in compliance with the exempt purpose of IN Cyber. IN Cyber's Federal and state tax returns remain open and subject to examination beginning with the tax year ended June 30, 2013.

### Subsequent Events

Subsequent events have been evaluated through December 11, 2013 which is the date the financial statements were available for issuance.

## 2. GRANT RECEIVABLE

IN Cyber recognizes all material conditional or unconditional promises to give as grant revenue. Promises to give that are expected to be collected in future years are recorded at their net present value.

The grant receivable of \$64,574 at June 30, 2013 is due from one grantor and has been collected by IN Cyber. This grant is funded on a cost reimbursement basis.

## 3. LONG-TERM DEBT

Long-term debt at June 30, 2013 includes the following:

Unsecured note payable to vendor; payable in monthly installments of \$17,443 including interest at 4.25% through July 2015.	\$ 402,082
Less current maturities	<u>164,241</u>
	<u>\$ 237,841</u>

# INDIANA CYBER CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Annual maturities of long-term debt at June 30, 2013 are as follows:

Year Ending <u>June 30,</u>	
2014	\$ 164,241
2015	203,139
2016	<u>34,702</u>
	<u>\$ 402,082</u>

#### 4. OPERATING LEASE

IN Cyber leases its administrative office and four (4) academic facilities throughout Indiana under the terms of month-to-month leases requiring monthly payments aggregating \$3,000. Total operating lease expense was \$24,000, for the year ended June 30, 2013.

#### 5. CONCENTRATION OF CREDIT RISK

##### Cash

IN Cyber maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally insured limits. IN Cyber has not experienced any losses in such accounts, and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

##### Grant receivable and support and revenue

At June 30, 2013 and for the year then ended, 100% of grants receivable and 100% of IN Cyber's public support and revenue were from one (1) grantor.

#### 6. SUBSEQUENT EVENTS

##### Financing

In November 2013, IN Cyber secured \$420,000 of borrowings under a note payable from a financial institution. The note, which is unsecured, bears interest at an annual rate of 12% and is due on November 1, 2015.

In September 2013, IN Cyber entered into a long-term debt agreement with an existing vendor (Note 3). The transaction has been recognized retroactively as of June 30, 2013 and is reflected in the accompanying financial statements.

# INDIANA CYBER CHARTER SCHOOL, INC.

OTHER REPORTS  
JUNE 30, 2013

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

Supplemental Audit Report of Indiana Cyber Charter School, Inc.

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