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November 14, 2014

Charter School Board  
Options Charter School – Noblesville, Inc.  
9945 Cumberland Pointe Blvd.  
Noblesville, IN 46062

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 Options Charter School – Noblesville, Inc., as of June 30, 2014, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Options Charter School – Noblesville, 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.**

*Financial Statements*

*June 30, 2014 and 2013*

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12
Other Reports	13

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Options Charter School – Noblesville, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Options Charter School – Noblesville, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Options Charter School – Noblesville, Inc. as of June 30, 2014 and 2013, 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.

A handwritten signature in black ink, appearing to read "Raymond J. Hancock".

Indianapolis, IN  
September 29, 2014

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Financial Position

Assets	June 30	
	2014	2013
Current assets:		
Cash	\$ 131,826	37,578
Accounts receivable:		
Grants	8,958	22,072
Due from Options Charter School - Carmel	16,904	6,428
Total current assets	<u>157,688</u>	<u>66,078</u>
Furniture and equipment	554,865	505,882
Less: accumulated depreciation	(460,435)	(421,456)
Furniture and equipment, net	<u>94,430</u>	<u>84,426</u>
	<u>\$ 252,118</u>	<u>150,504</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,249	96,788
Note payable	-	44,800
Current portion of capital lease obligation	-	21,517
Refundable advances	-	141
Total current liabilities	<u>93,249</u>	<u>163,246</u>
Unrestricted net assets (deficiency)	<u>158,869</u>	<u>(12,742)</u>
	<u>\$ 252,118</u>	<u>150,504</u>

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Activities

	Year Ended June 30	
	2014	2013
<u>Revenue and Support</u>		
State education support	\$ 1,230,781	1,061,158
Grant revenue	286,511	279,842
Student fees	7,711	9,892
Other income	33,560	40,679
Total revenue and support	<u>1,558,563</u>	<u>1,391,571</u>
<u>Expenses</u>		
Educational instruction	845,401	1,061,330
Management and general	541,551	338,524
Total expenses	<u>1,386,952</u>	<u>1,399,854</u>
Change in net assets before non-operating expense	171,611	(8,283)
<u>Non-Operating Expense</u>		
Loss due to changes in legislative funding	<u>-</u>	<u>(66,007)</u>
Change in net assets	171,611	(74,290)
Net assets, beginning of year	<u>(12,742)</u>	<u>61,548</u>
Net assets (deficiency), end of year	<u>\$ 158,869</u>	<u>(12,742)</u>

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<u>Operating Activities</u>		
Change in net assets	\$ 171,611	(74,290)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss due to changes in legislative funding	-	66,007
Depreciation	38,979	43,527
Change in:		
Accounts receivable	2,638	(20,860)
Accounts payable and accrued expenses	(3,539)	5,739
Refundable advances	(141)	(24,547)
Net cash provided (used) by operating activities	<u>209,548</u>	<u>(4,424)</u>
<u>Investing Activities</u>		
Purchases of furniture and equipment	(48,983)	(4,397)
Net cash used by investing activities	<u>(48,983)</u>	<u>(4,397)</u>
<u>Financing Activities</u>		
Principal payments on capital lease obligations	(21,517)	(19,268)
Principal payments on note payable	(49,300)	-
Proceeds from note payable	4,500	29,800
Net cash provided (used) by financing activities	<u>(66,317)</u>	<u>10,532</u>
Net increase in cash	94,248	1,711
Cash, beginning of year	<u>37,578</u>	<u>35,867</u>
Cash, end of year	<u>\$ 131,826</u>	<u>37,578</u>
Supplemental disclosures:		
Cash payments for interest expense	\$ 4,540	6,959

See accompanying notes to financial statements.



OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Options Charter School – Noblesville, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School serves students in grades nine to twelve by providing an alternative to the traditional high 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.

Revenue Recognition

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

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of cost and expenses at the time they are incurred.

Accounts Receivable

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

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Options Charter School – Noblesville, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012 and 2011 are open to audit for both federal and state purposes.

Furniture and Equipment

Purchases of these 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 asset 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 for furniture and equipment range from 3 to 7 years.

Subsequent Events

The School evaluated subsequent events through September 29, 2014, 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.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was suspended.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statements of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	\$398,960
Repayment of accrued interest on Common School Fund loans....	<u>65,021</u>
	463,981
Suspension of School funding.....	<u>(529,988)</u>
	\$ <u>(66,007)</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(3) Note Payable

The School has a \$75,000 revolving line-of-credit with First Merchants Bank. Drawings against the line-of-credit bear interest at 2.5% above the lender's prime rate (5.75% at June 30, 2014) and are secured by all School assets. There was no balance owing under the line of credit as of June 30, 2014 (\$44,800 as of June 30, 2013).

(4) Leases

The School leases its school facility, administrative offices and storage space, and certain office equipment under multi-year operating leases. The School is also responsible for utilities and insurance relating to the real estate leases. Options Charter School – Carmel, Inc. reimburses the School at the rate of \$2,750 per month for its share of expense relating to the administrative offices. Expense under these leases for the years ended June 30, 2014 and 2013 was \$244,933 and \$267,055, respectively. Future minimum obligations under these leases are as follows:

Year Ending June 30:

2015 .....	\$ 224,640
2016 .....	229,200
2017 .....	233,844
2018 .....	234,732

The School also leased computer equipment under a capital lease agreement with LEAF Capital Funding, LLC. At June 30, 2014 the cost and accumulated depreciation related to these assets were \$40,785 and \$16,314, respectively. The remaining obligation under this lease was paid in 2014.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(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 established by the INPRS Board. Employees can elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. Under the plans, the School contributes 10.5% of compensation for electing teaching faculty to TRF, 14.2% of compensation for other electing employees to PERF, and 10.5% of compensation for electing personnel to the 403(b) plan. Substantially all full-time employees are eligible to participate. Retirement plan expense for the years ended June 30, 2014 and 2013 was \$81,323 and \$71,596, respectively.

(6) Related Party

The School is related to Options Charter School – Carmel, Inc. in that they have a common board of directors. The schools advance amounts to each other as needed to meet cash flow requirements. The net balance due from Options Charter School – Carmel, Inc. as of June 30, 2014 and 2013 was \$16,904 and \$6,428, respectively. The School is also contingently liable as a guarantor with respect to a \$75,000 line-of-credit maintained by Options Charter School – Carmel, Inc. At June 30, 2014, there was no balance owing under the line-of-credit.

(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. Expense under this charter agreement was \$22,822 and \$11,918 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(8) Risks and Uncertainties

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

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

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the grants receivable balance was due from the State of Indiana.

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	<u>2014</u>	
	<u>Educational Instruction</u>	<u>Management and General</u>
Salaries, wages and employee benefits ...	\$496,736	416,953
Professional services .....	31,540	18,309
Authorizer oversight fee .....	-	22,822
Transportation .....	1,842	1,546
Equipment .....	14,186	-
Classroom and office supplies.....	17,581	14,758
Occupancy .....	241,516	40,629
Depreciation .....	33,366	5,613
Interest .....	-	4,540
Insurance .....	-	9,439
Other .....	<u>8,634</u>	<u>6,942</u>
	<u>\$845,401</u>	<u>541,551</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	<u>2013</u>	
	<u>Educational Instruction</u>	<u>Management and General</u>
Salaries, wages and employee benefits ...	\$ 663,665	220,635
Professional services .....	13,009	8,794
Authorizer oversight fee .....	-	11,918
Transportation .....	3,956	1,315
Equipment .....	31,134	-
Classroom and office supplies.....	27,549	9,159
Occupancy .....	268,422	35,739
Depreciation .....	38,413	5,114
Interest .....	-	22,917
Insurance .....	-	18,005
Other .....	<u>15,182</u>	<u>4,928</u>
	<u>\$1,061,330</u>	<u>338,524</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Other Reports

Year Ended June 30, 2014

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

Supplemental Audit Report of Options Charter School – Noblesville, 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*.