



STATE OF INDIANA
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February 3, 2015

Charter School Board
Rock Creek Community Academy, Inc.
11525 Highway 31
Sellersburg, IN 47172

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 the Rock Creek Community Academy, 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 Rock Creek Community 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.

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

ROCK CREEK COMMUNITY ACADEMY, INC.

Financial Statements

June 30, 2014 and 2013

ROCK CREEK COMMUNITY ACADEMY, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rock Creek Community Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Rock Creek Community Academy, Inc.**, which comprise the statements of financial position as of June 30, 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 Rock Creek Community Academy, 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". The signature is written in a cursive style with a horizontal line at the end.

Indianapolis, IN
December 11, 2014

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	\$ 378,723	518,589
Grants receivable	101,633	-
Prepaid expenses	29,180	3,470
Total current assets	509,536	522,059
Security deposits	15,775	11,185
Property and equipment:		
Textbooks	294,670	224,037
Leasehold improvements	527,043	399,224
Furniture and equipment	480,135	425,476
Less: accumulated depreciation	(567,899)	(323,214)
Property and equipment, net	733,949	725,523
	\$ 1,259,260	1,258,767
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 208,114	214,437
Current portion of long-term debt	31,218	28,267
Deferred revenue	136,573	114,999
Refundable advances	10,000	-
Total current liabilities	385,905	357,703
Long-term debt	53,045	84,283
Total liabilities	438,950	441,986
Net assets:		
Unrestricted	801,680	793,091
Temporarily restricted	18,630	23,690
	820,310	816,781
	\$ 1,259,260	1,258,767

See accompanying notes to financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Activities

	<u>Year Ended June 30, 2014</u>			<u>Year Ended June 30, 2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>						
State education support	\$ 2,714,709	-	2,714,709	\$ 2,380,110	-	2,380,110
Grant revenue	343,205	-	343,205	517,236	-	517,236
Student fees	235,673	20,982	256,655	176,082	69,301	245,383
Contributions	9,335	7,400	16,735	15,953	9,272	25,225
Fundraising	41,745	41,430	83,175	53,154	31,048	84,202
Net assets released from restrictions	74,872	(74,872)	-	85,931	(85,931)	-
Total revenue and support	<u>3,419,539</u>	<u>(5,060)</u>	<u>3,414,479</u>	<u>3,228,466</u>	<u>23,690</u>	<u>3,252,156</u>
<u>Expenses</u>						
Program services	2,910,705	-	2,910,705	2,584,283	-	2,584,283
Management and general	500,245	-	500,245	488,423	-	488,423
Total expenses	<u>3,410,950</u>	<u>-</u>	<u>3,410,950</u>	<u>3,072,706</u>	<u>-</u>	<u>3,072,706</u>
Change in net assets before non-operating expense	8,589	(5,060)	3,529	155,760	23,690	179,450
<u>Non-Operating Expense</u>						
Loss due to changes in legislative funding	-	-	-	(20,221)	-	(20,221)
Increase (decrease) in net assets	8,589	(5,060)	3,529	135,539	23,690	159,229
Net assets, beginning of year	<u>793,091</u>	<u>23,690</u>	<u>816,781</u>	<u>657,552</u>	<u>-</u>	<u>657,552</u>
Net assets, end of year	<u>\$ 801,680</u>	<u>18,630</u>	<u>820,310</u>	<u>\$ 793,091</u>	<u>23,690</u>	<u>816,781</u>

See accompanying notes to financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<u>Operating Activities</u>		
Change in net assets	\$ 3,529	159,229
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Loss due to changes in legislative funding	-	20,221
Depreciation	244,686	180,888
Change in:		
Grants receivable	(101,633)	61,105
Prepaid expenses	(25,710)	12,319
Security deposits	(4,590)	-
Accounts payable and accrued expenses	(6,324)	(134,010)
Deferred revenue	21,574	9,499
Refundable advances	10,000	-
Net cash provided by operating activities	<u>141,532</u>	<u>309,251</u>
<u>Investing Activities</u>		
Purchase of property and equipment	<u>(253,111)</u>	<u>(308,431)</u>
Net cash used by investing activities	<u>(253,111)</u>	<u>(308,431)</u>
<u>Financing Activities</u>		
Principal repayments of long-term debt	<u>(28,287)</u>	<u>(25,584)</u>
Net cash used by financing activities	<u>(28,287)</u>	<u>(25,584)</u>
Net decrease in cash	(139,866)	(24,764)
Cash, beginning of year	<u>518,589</u>	<u>543,353</u>
Cash, end of year	<u>\$ 378,723</u>	<u>518,589</u>
Supplementary information:		
Cash payments for interest expense	\$ 10,373	12,775

See accompanying notes to financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Rock Creek Community Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

Accounting Estimates

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

Revenue Recognition

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

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

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.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Financial Statement Presentation

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

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Contributions and Fees

The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property 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 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:

Textbooks	5 years
Leasehold improvements.....	5 to 8 years
Furniture and equipment	3 to 5 years

Deferred Revenue

Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Rock Creek Community 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, 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.

Subsequent Events

The School evaluated subsequent events through December 11, 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.

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

ROCK CREEK COMMUNITY ACADEMY, 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 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 eliminated.

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 statement of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	\$1,082,951
Repayment of accrued interest on Common School Fund loans.....	<u>87,311</u>
	1,170,262
Elimination of School funding	<u>(1,190,483)</u>
	\$ <u><u>(20,221)</u></u>

(3) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014, the School had refundable grant advances in excess of expenditures of \$10,000.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(4) Long-Term Debt

Long-term debt as of June 30, 2014 and 2013 was comprised of a note payable to Mobilease Modular Space, Inc. This note represents an obligation for site improvements relating to the installation of modular classrooms. The note is payable in monthly installments of \$3,185, including interest at 10% per annum, through December 2016.

Principal maturities under this loan agreement are as follows:

<u>Year Ended June 30:</u>	
2015	\$31,218
2016	34,478
2017	<u>18,567</u>
	<u>\$ 84,263</u>

(5) Leases

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Under the facility lease, the School is also responsible for repairs, maintenance, and utilities. Total expense under these operating leases for 2014 and 2013 was \$272,655 and \$221,294, respectively. Minimum future rental payments as of June 30, 2014 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

<u>Year ending June 30:</u>	
2015	\$267,248
2016	141,240
2017	83,800
2018	55,080

(6) Retirement Plan

The School maintains a Section 403(b) retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2014 and 2013 was \$106,706 and \$100,045, respectively.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$63,364 and \$31,658 for the years ended June 30, 2014 and 2013, respectively.

(8) Risks and Uncertainties

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the accounts receivable balance was due from the State of Indiana. Cash deposits are maintained at New Washington State Bank and normally exceed the FDIC insurance limit.

(9) Accounting Correction

In 2014, it was determined that certain participant fees and revenue from fundraising events contained the characteristics of temporarily restricted net assets. These resources were provided with the intent that they be used for the specific school activity designated by the donor. This correction in accounting has been made by restating the financial statements for 2013 to reflect the classification of such assets as temporarily restricted. The correction had no effect on total net assets or the change in total net assets for 2013.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(10) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between programs 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>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$ 1,356,669	245,618
Employee benefits	332,636	55,347
Professional fees.....	279,183	70,700
Staff development and recruitment	7,937	-
Authorizer oversight fee.....	-	63,364
Food costs.....	42,765	-
Equipment	33,703	-
Repairs and maintenance.....	47,885	-
Classroom, kitchen and office supplies...	136,604	11,284
Occupancy	314,027	-
Depreciation	244,686	-
Field trips.....	59,814	-
Interest	-	10,373
Insurance	-	25,315
Other	<u>54,796</u>	<u>18,244</u>
	<u>\$ 2,910,705</u>	<u>500,245</u>

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	<u>2013</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$ 1,232,027	209,008
Employee benefits	299,935	51,107
Professional fees.....	270,753	81,852
Staff development and recruitment	20,180	237
Authorizer oversight fee	-	31,658
Food costs.....	45,082	-
Equipment	23,751	-
Repairs and maintenance.....	35,702	-
Classroom, kitchen and office supplies...	141,241	13,688
Occupancy	255,788	-
Depreciation	180,888	-
Field trips.....	64,639	-
Interest	-	56,093
Insurance	-	22,975
Other	<u>14,297</u>	<u>21,805</u>
	<u>\$ 2,584,283</u>	<u>488,423</u>

ROCK CREEK COMMUNITY ACADEMY, 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 Rock Creek Community Academy, Inc.

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