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February 12, 2015

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, 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 Joshua 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 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.

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

**JOSHUA ACADEMY, INC.**

**FINANCIAL STATEMENT  
AND SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2014**

**(With Independent Auditor's Report Thereon)**

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# **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, 2014, 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 applicable to 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. (Academy) for the year ended June 30, 2014 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 September 30, 2014, on our consideration of the Academy'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 the Academy's internal control over financial reporting and compliance.

Evansville, Indiana  
September 30, 2014



Certified Public Accountants and Consultants

**JOSHUA ACADEMY, INC.**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**Cash receipts:**

State basic grant	\$ 1,788,428
Other state support	30,456
Federal grant revenue	147,743
School food services	179,958
Student fees	5,047
Child care fees	53,996
Rental income	150
Contributions	26,744
Textbook rental and sale	4,696
Fundraising income	4,378
Other income	190,475
Collections on note receivable	5,559
	<hr/>
Total cash receipts	2,437,630

**Cash disbursements:**

Salaries and wages	1,092,635
Payroll taxes	100,239
Employee benefits	189,940
Training and professional development	7,869
Professional fees	188,872
Utilities	101,737
Repairs and maintenance	13,842
Equipment rental	26,115
Supplies	98,826
Student transportation	530
Insurance	31,064
Telephone	6,559
Postage and printing	4,653
Travel	2,829
Advertising	3,066
Food purchases	57,280
Books and periodicals	34,365
Uniforms	1,071
Interest expense	8,801
Other expenses	10,560
Principle payments on long-term debt	117,234
Building and equipment expense	84,335
Computer expense	28,795
Dues and fees	3,310
Bank service charges	665
	<hr/>
Total cash disbursements	2,215,192

Increase in cash	222,438
Cash, beginning of year	84,298
	<hr/>
Cash, end of year	\$ 306,736

**JOSHUA ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2014**

**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. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2014, the Academy had \$111,943 in excess of FDIC insurance coverage.

**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 September 30, 2014, the date the financial statement was available to be issued.

**JOSHUA ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2014**

**Note 3 – Income Taxes**

The Academy is exempt from federal income tax 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 appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Academy files its Form 990 in the U.S. federal jurisdiction and the office of the states attorney general for the State of Indiana. The Academy is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

**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, 2014), 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, 2014 totaled \$77,038, 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, 2014**

**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 (10.75% for the year ended June 30, 2014), 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, 2014, totaled \$25,132, and equaled the required contributions for the year.

INPRS 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, 2014, as follows:

Year ending June 30	
2015	\$ 19,316
2016	12,468
2017	4,563
2018	799
2019	399
Total minimum rentals	<u>\$ 37,546</u>

Rental expense for the leases totaled \$26,115 for the year ended June 30, 2014.

**Note 6 – Functional Expenses**

A summary of expenses by functional classification for the year ended June 30, 2014, is as follows:

Program	\$ 1,917,040
Management and General	171,951
Fundraising	8,967
	<u>\$ 2,097,958</u>

**JOSHUA ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2014**

**Note 7 – Concentration**

Amount received under the state basic grant totaled 74% of all cash receipts in fiscal year 2014.

**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.

**JOSHUA ACADEMY, INC.**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2014**

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, 2014, and our report thereon dated September 30, 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  
September 30, 2014

Certified Public Accountants and Consultants

**JOSHUA ACADEMY, INC.**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2014**

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%	\$ 6,794
Accounts Receivable:	
Lunch fund	\$ 7,014
Supper program	3,465
Childrens zone	6,888
Title I income	4,359
Title II income	886
Special education grant	933
Book rentals	744
General fund	1,330
	<u>\$ 25,619</u>

Schedule of Capital Assets

Moveable equipment	\$ 232,035
Kitchen equipment	2,255
Storage building	1,328,573
School bus	52,875
Land	288,900
	<u>\$ 1,904,638</u>

Schedule of Accounts Payable

Lunch fund	\$ 11,911
	<u>\$ 11,911</u>

Schedule of Debt

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%	\$ 79,481
	<u>\$ 79,481</u>



**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, 2014, and the related notes to the financial statement, and have issued our report thereon dated September 30, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Joshua Academy, Inc.'s (Academy) 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **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.



Evansville, Indiana  
September 30, 2014

Certified Public Accountants and Consultants

**JOSHUA ACADEMY, INC.**  
**OTHER REPORT**  
**YEAR ENDED JUNE 30, 2014**

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.