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March 13, 2015

Charter School Board  
Christel House DORS, Inc.  
2717 S. East Street  
Indianapolis, IN 46225

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period July 1, 2013 to June 29, 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 Christel House DORS, Inc., as of June 29, 2014 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.

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

**CHRISTEL HOUSE DORS, INC.**

**FINANCIAL STATEMENTS**

For the period ended June 29, 2014 and the year ended June 30, 2013

CHRISTEL HOUSE DORS, INC.

Indianapolis, Indiana

FINANCIAL STATEMENTS

For the period ended June 29, 2014 and the year ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Christel House Academy, Inc.  
Indianapolis, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Christel House DORS, Inc. which comprise the statement of financial position as of June 29, 2014, and the related statements of activities, functional expenses, and cash flows for the period 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

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(Continued)

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christel House DORS, Inc. as of June 29, 2014 and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The financial statements of Christel House DORS, Inc. as of June 30, 2013, were audited by other auditors whose report dated June 19, 2014, expressed an unmodified opinion on those statements.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Indianapolis, Indiana  
March 2, 2015

CHRISTEL HOUSE DORS, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 29, 2014 and June 30, 2013

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	<u>June 29, 2014</u>	<u>June 30, 2013</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 487,030	\$ 318,360
Grants receivable	121,606	84,024
Prepaid expenses	<u>9,349</u>	<u>37,780</u>
Total current assets	617,985	440,164
Property and equipment, net	<u>28,533</u>	<u>40,086</u>
	<u>\$ 646,518</u>	<u>\$ 480,250</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 47,748	\$ 5,594
Due to Christel House Academy, Inc.	5,416	22,731
Accrued payroll	<u>51,611</u>	<u>10,418</u>
Total liabilities	<u>104,775</u>	<u>38,743</u>
Net assets		
Unrestricted	398,396	267,803
Temporary restricted	<u>143,347</u>	<u>173,704</u>
Total net assets	<u>541,743</u>	<u>441,507</u>
	<u>\$ 646,518</u>	<u>\$ 480,250</u>

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See accompanying notes to financial statements.

CHRISTEL HOUSE DORS, INC.  
STATEMENTS OF ACTIVITIES  
Period ended June 29, 2014 and the year ended June 30, 2013

	----- Period ended June 29, 2014-----			-----Year ended June 30, 2013-----		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<b>Public support and revenues</b>						
Grant revenue	\$ 407,621	\$ -	\$ 407,621	\$ 1,021,087	\$ -	\$ 1,021,087
State support	1,313,400	-	1,313,400	578,432	-	578,432
Contributions	77,467	-	77,467	52,625	-	52,625
Textbook rental	11,570	-	11,570	8,553	-	8,553
Net assets released from restriction	<u>30,357</u>	<u>(30,357)</u>	<u>-</u>	<u>25,608</u>	<u>(25,608)</u>	<u>-</u>
Total public support and revenues	<u>1,840,415</u>	<u>(30,357)</u>	<u>1,810,058</u>	<u>1,686,305</u>	<u>(25,608)</u>	<u>1,660,697</u>
<b>Expenses</b>						
Adult learning programs	1,507,284	-	1,507,284	1,126,114	-	1,126,114
General and administrative	<u>202,538</u>	<u>-</u>	<u>202,538</u>	<u>206,546</u>	<u>-</u>	<u>206,546</u>
Total expenses	<u>1,709,822</u>	<u>-</u>	<u>1,709,822</u>	<u>1,332,660</u>	<u>-</u>	<u>1,332,660</u>
Change in net assets	<u>130,593</u>	<u>(30,357)</u>	<u>100,236</u>	<u>353,645</u>	<u>(25,608)</u>	<u>328,037</u>
Net assets, beginning of period	<u>267,803</u>	<u>173,704</u>	<u>441,507</u>	<u>(85,842)</u>	<u>199,312</u>	<u>113,470</u>
Net assets, end of period	<u>\$ 398,396</u>	<u>\$ 143,347</u>	<u>\$ 541,743</u>	<u>\$ 267,803</u>	<u>\$ 173,704</u>	<u>\$ 441,507</u>

See accompanying notes to financial statements.

CHRISTEL HOUSE DORS, INC.  
 STATEMENTS OF CASH FLOWS  
 Period ended June 29, 2014 and the year ended June 30, 2013

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 100,236	\$ 328,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,553	11,298
Change in assets and liabilities		
Grants receivable	(37,582)	(84,024)
Prepaid expense	28,431	(37,780)
Accounts payable	45,164	5,594
Due to Christel House Academy, Inc.	(20,325)	(1,533)
Accrued payroll	<u>41,193</u>	<u>2,139</u>
Net cash from operating activities	168,670	223,731
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>-</u>	<u>(33,152)</u>
Net cash from investing activities	-	(33,152)
Net change in cash and cash equivalents	<u>168,670</u>	<u>190,579</u>
Cash and cash equivalents, beginning of period	<u>318,360</u>	<u>127,781</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 487,030</u>	<u>\$ 318,360</u>
Supplemental Disclosures		
Interest paid	\$ -	\$ 204
In-kind contributions	64,742	51,600

See accompanying notes to financial statements.



CHRISTEL HOUSE DORS, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSE  
 Period ended June 29, 2014 and the year ended June 30, 2013

	----- Period ended June 29, 2014-----			-----Year ended June 30, 2013-----		
	Adult Learning Programs	Management and General	Total Expenses	Adult Learning Programs	Management and General	Total Expenses
Salaries and benefits	\$ 914,204	\$ 146,524	\$ 1,060,728	\$ 451,805	\$ 140,672	\$ 592,477
Instructional services	85,986	-	85,986	37,791	-	37,791
Accounting and payroll services	-	44,638	44,638	-	54,937	54,937
Administrative expenses	19,114	152	19,266	94,905	1,934	96,839
Legal services	-	114	114	-	308	308
Recruitment and placement	1,947	-	1,947	857	-	857
Technology services	26,001	-	26,001	19,670	-	19,670
Professional development	26,399	-	26,399	65,108	-	65,108
Course materials and supplies	83,413	-	83,413	26,046	-	26,046
Nutritional support	4,353	-	4,353	2,426	-	2,426
Marketing	16,333	-	16,333	18,518	-	18,518
Travel and entertainment	8,496	5,599	14,095	18,642	1,575	20,217
Vehicle and transportation	21,069	-	21,069	8,700	-	8,700
Facilities (insurance, utilities, maintenance)	145,576	2,971	148,547	121,047	2,463	123,510
Facilities rental	114,463	2,309	116,772	204,064	4,172	208,236
Equipment rental	28,608	-	28,608	45,518	-	45,518
Depreciation and amortization	11,322	231	11,553	11,017	281	11,298
Interest expense	-	-	-	-	204	204
	<u>\$ 1,507,284</u>	<u>\$ 202,538</u>	<u>\$ 1,709,822</u>	<u>\$ 1,126,114</u>	<u>\$ 206,546</u>	<u>\$ 1,332,660</u>

See accompanying notes to financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of the Organization: Christel House DORS, Inc. ("DORS") was incorporated in 2011, under the laws of the State of Indiana and commenced operations in 2011. DORS is a tuition free high school for adults over the age of 18 who still need to earn a high school diploma. Students earn college credit at Ivy Tech, while completing high school course requirements, through a Gateway to College program.

Effective June 30, 2014, the board of Christel House Academy, Inc. and the board of DORS voted to merge operations. The financial statements of DORS as of June 29, 2014, and the period from July 1, 2013 through June 29, 2014 presented in these statements represents DORS activity prior to the merger. This financial statement does not include any activity of the post-merger organization surviving under the name Christel House Academy, Inc.

Method of Accounting: DORS maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: DORS is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, DORS is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

DORS has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that 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 benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

DORS does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. DORS recognizes interest and/or penalties related to income tax matters in income tax expense. DORS did not have any amounts accrued for interest and penalties at June 29, 2014 or June 30, 2013.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Basis of Presentation: DORS follows GAAP and reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of DORS may be used at the discretion of management to support the DORS' purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of DORS related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.

CHRISTEL HOUSE DORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of DORS related to contributions and other inflows of assets whose use by DORS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of DORS. DORS had no permanently restricted net assets as of June 29, 2014 or June 30 2013.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. For the purpose of the statement of cash flows, DORS considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. DORS does not accrue interest on any of its grants receivables.

Allowances: No allowance for doubtful accounts is recorded as of June, 29, 2014 and June 30, 2013. Allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. DORS currently considers all receivables to be fully collectible.

Property and Equipment: Expenditures for property and equipment and items in excess of \$1,000 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	20-40 years
Machinery and equipment	3-5 years
Textbooks	3-5 years

Impairment of Long-Lived Assets: In accordance with GAAP, DORS reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 29, 2014 and June 30, 2013, management believes that no impairment exists.

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Accounts and grants receivable are not readily marketable. DORS has estimated their fair value to be the carrying value. The carrying value of all DORS' financial instruments approximate fair value.

Federal and State Grants: Support funded by grants is recognized as DORS performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of DORS' grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions: Contributions are recognized in the period that the promise to give is received. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support.

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(Continued)

CHRISTEL HOUSE DORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

DORS received \$64,742 and \$51,600 of in-kind contributions during the period ended June 29, 2014 and the year ended June 30, 2013. This primarily consisted of Gateway to College professional development services provided to staff at DORS free of charge and Ivy Tech Community College (Ivy Tech) provided use of two classrooms equipped with furniture, ceiling mounted projectors and instructor computers; one administrative office, AV support, restroom facilities, phones, internet service, copy machine and utilities.

Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under GAAP. These services include volunteering at events, picking up donations, and various clerical work

Revenue Recognition: Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, DORS receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in equal monthly installments in January through December following the start of the academic school year. Revenue is recognized in the period in which the educational services are rendered.

Functional Expense Allocation: The costs of providing the various programs and other activities have been summarized in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of DORS.

Advertising: DORS expenses advertising costs as they are incurred. Advertising expense for the period ended June 29, 2014 and the year ended June 30, 2013 was \$16,333 and \$18,518.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current period's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 29, 2014, to determine the need for any adjustments or disclosures to the financial statements for the period ended June 29, 2014. Management has performed their analysis through March 2, 2015 the date the financial statements were available to be issued.

**NOTE 2-GRANTS RECEIVABLE**

Grants receivable for the period ended June 29, 2014 and the year ended 2013 represent amounts due from the Indiana Department of Education relating to the following sources:

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
Federal Planning Grant	\$ 95,796	\$ 2,903
Gateway to College	<u>25,810</u>	<u>81,121</u>
	<u>\$ 121,606</u>	<u>\$ 84,024</u>

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(Continued)

CHRISTEL HOUSE DORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 3 – PROPERTY AND EQUIPMENT**

The carrying value of land, buildings and equipment consists of the following:

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
Furniture and equipment	\$ 33,151	\$ 33,151
Computer software	<u>20,448</u>	<u>20,448</u>
	53,599	53,599
Less: accumulated depreciation	<u>(25,066)</u>	<u>(13,513)</u>
	<u>\$ 28,533</u>	<u>\$ 40,086</u>

Depreciation expense for the period ended June 29, 2014 and the year ended June 30, 2013 was \$11,553 and \$11,298.

**NOTE 4 - OPERATING LEASES**

DORS leases space and equipment from Christel House Academy, Inc. The lease agreement is renewed annually and requires monthly payments for building space and equipment, respectively. For the period ended June 29, 2014 and the year ended June 30, 2013, total building and equipment rent expense totaled \$145,380 and \$253,754.

**NOTE 5 - PENSION PLANS**

DORS leases employees from Christel House Academy, Inc. Christel House Academy, Inc. elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The employees are required to contribute three percent of their annual covered salary. Christel House Academy, Inc. is required to contribute an actuarially determined rate determined annual for PERF and TRF, which is reimbursed by DORS for leased employees. In addition, because the plan is considered a multiple employer plan, it is only subject to certain minimum reported requirements of the FASB Accounting Standards Code Section 715-30-55. Retirement plan expense for PERF and TRF was \$35,646 and \$40,868 for the period ended June 29, 2014 and the year ended June 30, 2013.

DORS' leased faculty and certain administrative employees are participants in a 403(b) defined contribution retirement plan. All participants may contribute to the 403(b) Plan. DORS offers an employer match of 1% of an employee's salary for those that contribute 2% or more of the same to the 403(b) Plan. In addition, employees have an option to opt out of PERF and TRF. If so, then employees receive an additional employer contribution to the 403(b) Plan of 10.5% of their salary if eligible for TRF or 10% if otherwise eligible for PERF. There was a total 403(b) employer contribution of \$39,656 and \$8,103 for the period ended June 29, 2014 and the year ended June 30, 2013.

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(Continued)

**NOTE 6 – AFFILIATED ORGANIZATIONS**

Christel House DORS, Inc. has two affiliated organizations, Christel House Academy, Inc. ("Academy") and Christel House International, Inc.

DORS maintains a signed agreement with the Academy, a separate legal entity, for the use of its employees and other administrative services. DORS reimburses the Academy for the expenses related to these assigned employees and administrative services. For the period ended June 29, 2014 and for the year ended June 30, 2013 the amount reimbursed for these services were \$366,442 and \$399,755, respectively. DORS recorded a payable to the Academy in relation to these services in the amount of \$5,416 and \$22,731 as of June 29, 2014 and June 30, 2013, respectively.

In addition, DORS rents its facility from the Academy, which in turn rents from Christel House International, Inc.

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
Walton Grant	\$ 143,347	\$ 173,704

During the period ended June 29, 2014 and the year ended June 30, 2013, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the period ended June 29, 2014 and year ended June 30, 2013, DORS had released \$30,357 and \$25,608 of the Walton Grant from restriction.

CHRISTEL HOUSE DORS, INC.  
OTHER REPORT  
Period ended June 30, 2014

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

Indiana State Board of Accounts Compliance Report of Christel House DORS, Inc.

The above 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*.