



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B45197

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

June 23, 2015

Charter School Board
Muncie Public Charter School of Inquiry, Inc.
d/b/a Inspire Academy
1620 S. Madison Street
Muncie, IN 47302

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2012 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 Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, 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.

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Financial Statements

June 30, 2014 and 2013

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

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
Muncie Public Charter School of Inquiry, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy**, which comprise of statements of financial position as of June 30, 2014 and 2013, 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 **Muncie Public Charter School of Inquiry, 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
May 14, 2015

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Statements of Financial Position

Assets	June 30	
	2014	2013
Current assets:		
Cash	\$ 127,628	61,932
Grants receivable	1,334	3,750
Prepaid expense	19,500	21,813
Total current assets	<u>148,462</u>	<u>87,495</u>
Property and equipment:		
Furniture and equipment	126,298	2,449
Less: accumulated depreciation	<u>(32,011)</u>	<u>(880)</u>
Property and equipment, net	<u>94,287</u>	<u>1,569</u>
	<u>\$ 242,749</u>	<u>89,064</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 32,938	1,555
Note payable	-	100,000
Refundable advances	5,040	-
Total current liabilities	<u>37,978</u>	<u>101,555</u>
Net assets:		
Unrestricted	142,703	(12,491)
Temporarily restricted	62,068	-
Total net assets (deficiency)	<u>204,771</u>	<u>(12,491)</u>
	<u>\$ 242,749</u>	<u>89,064</u>

See accompanying notes to financial statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Support</u>						
State education support	\$ 842,019	-	842,019	\$ -	-	-
Grant revenue	370,088	250,000	620,088	81,862	-	81,862
Student fees	10,613	-	10,613	25	-	25
Contributions	9,215	-	9,215	7,950	-	7,950
Other income	3,107	-	3,107	194	-	194
Net assets released from restrictions	187,932	(187,932)	-	-	-	-
Total revenue and support	<u>1,422,974</u>	<u>62,068</u>	<u>1,485,042</u>	<u>90,031</u>	<u>-</u>	<u>90,031</u>
<u>Expenses</u>						
Program services	1,036,872	-	1,036,872	58,416	-	58,416
Management and general	230,908	-	230,908	44,555	-	44,555
Total expenses	<u>1,267,780</u>	<u>-</u>	<u>1,267,780</u>	<u>102,971</u>	<u>-</u>	<u>102,971</u>
Change in net assets	155,194	62,068	217,262	(12,940)	-	(12,940)
Net assets (deficiency), beginning of year	<u>(12,491)</u>	<u>-</u>	<u>(12,491)</u>	<u>449</u>	<u>-</u>	<u>449</u>
Net assets (deficiency), end of year	<u>\$ 142,703</u>	<u>62,068</u>	<u>204,771</u>	<u>\$ (12,491)</u>	<u>-</u>	<u>(12,491)</u>

See accompanying notes to financial statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<u>Operating Activities</u>		
Change in net assets	\$ 217,262	(12,940)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	31,131	775
Change in:		
Accounts receivable	2,416	17,907
Prepaid expense	2,313	(20,246)
Accounts payable and accrued expenses	31,383	1,555
Refundable advances	5,040	-
Net cash provided (used) by operating activities	<u>289,545</u>	<u>(12,949)</u>
<u>Investing Activities</u>		
Acquisition of property and equipment	<u>(123,849)</u>	<u>(1,500)</u>
Net cash used by investing activities	<u>(123,849)</u>	<u>(1,500)</u>
<u>Financing Activities</u>		
Proceeds from note payable, net of repayments	<u>(100,000)</u>	<u>75,000</u>
Net cash provided (used) by financing activities	<u>(100,000)</u>	<u>75,000</u>
Net increase in cash	65,696	60,551
Cash, beginning of year	<u>61,932</u>	<u>1,381</u>
Cash, end of year	<u>\$ 127,628</u>	<u>61,932</u>
Supplemental disclosures:		
Cash payments for interest expense	\$ 2,650	243

See accompanying notes to financial statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Muncie Public Charter School of Inquiry, 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 kindergarten to fifth by providing an alternative to the traditional elementary school program. The School began operations with the 2013-14 academic school year.

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.

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.

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.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

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 costs and expenses at the time they are incurred.

Taxes on Income

Muncie Public Charter School of Inquiry, 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 and 2012 are open to audit for both federal and state purposes.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

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 range from three to five years,

Subsequent Events

The School evaluated subsequent events through May 14, 2015, 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.

(2) Leases

The School leases its facility and certain items of office equipment under operating leases. The facility lease requires monthly payments over a 5-year term based on a rate of \$10 per square foot of leased space (18,000 square feet as of June 30, 2014). Expense under these leases for the years ended June 30, 2014 and 2013 was \$173,226 and \$449, respectively. Future minimum obligations under non-cancellable operating leases are as follows:

Year Ending June 30:

2015	\$180,000
2016	180,000
2017	180,000
2018	180,000

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Notes to Financial Statements

(3) Note Payable

The School has a \$300,000 revolving line-of-credit with Touch Consulting, Ltd. Drawings against the line of credit bear interest at a variable rate reflective of the lender's incremental borrowing rate (4% 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 (\$100,000 as of June 30, 2013).

(4) 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 \$5,040.

(5) Benefit Plans

The School contracts with a professional employer organization (PEO) to manage its human resource requirements. Under this contract, the School leases its employees from the PEO, and reimburses the PEO for all personnel costs, including salaries and benefits. All employees are eligible to participate in a 403(b) plan offered through the Indiana Public Charter School Association. Under this plan, the School contributes 7% of compensation as defined. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2014 or 2013. Teaching personnel have the option to participate in a retirement plan provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan 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. For the year ended June 30, 2014, the School contributed 7.5% of compensation for all participating personnel to TRF. Retirement plan expense under all plans was \$11,487 for the year ended June 30, 2014.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Notes to Financial Statements

(6) Restrictions on Assets

Temporarily restricted net assets as of June 20, 2014 totaling \$62,068 relate to funds received from the Walton Family Foundation. The funds are to be used according to the approved budget for various program expenses. Grant related expenditures of \$187,932 were incurred in 2014, resulting in temporarily restricted net assets being released from restrictions.

(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 \$7,059 for the year ended June 30, 2014. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Delaware 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.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing 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>Program Services</u>	<u>Management and General</u>
Salaries, wages and employee benefits ...	\$ 498,050	102,423
Professional services	73,580	73,880
Authorizer oversight fee	-	7,059
Staff development.....	79,943	-
Equipment	12,270	973
Classroom and office supplies.....	83,058	11,199
Connectivity	27,291	-
Occupancy	175,281	-
Food.....	55,703	-
Depreciation	31,131	-
Interest	-	2,650
Insurance	-	13,572
Other	<u>565</u>	<u>19,152</u>
	<u>\$1,036,872</u>	<u>230,908</u>

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	<u>Program Services</u>	<u>Management and General</u>
Salaries, wages and employee benefits ...	\$ -	17,973
Professional services	-	17,579
Authorizer oversight fee	-	-
Staff development.....	51,353	-
Equipment	1,540	-
Classroom and office supplies.....	-	1,939
Connectivity	1,742	-
Occupancy	449	-
Food.....	226	-
Depreciation	775	-
Interest	-	243
Insurance	-	2,723
Other	<u>2,331</u>	<u>4,098</u>
	<u>\$58,416</u>	<u>44,555</u>

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a
INSPIRE ACADEMY

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 Muncie Public Charter School of Inquiry, 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*.