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January 29, 2016

Charter School Board  
Indianapolis Academy of Excellence, Inc.  
1145 E. 22nd St.  
Indianapolis, IN 46202

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan P.C., Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. 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 Indianapolis Academy of Excellence, Inc., as of June 30, 2015, 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 Indianapolis Academy of Excellence, 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

**INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.**

*Financial Statements*

*June 30, 2015*



**DONOVAN**  
CPAs | ADVISORS

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-16
Other Reports	17



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Indianapolis Academy of Excellence, Inc.

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

We have audited the accompanying financial statements of **Indianapolis Academy of Excellence, Inc.**, which comprise the statement of financial position as of June 30, 2015, the related statements of activities and cash flows for the year 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Indianapolis Academy of Excellence, Inc.** as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Donovan P.C.*

Indianapolis, IN  
December 1, 2015

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Statement of Financial Position

Assets	June 30, 2015
Current assets:	
Cash	\$ 50,674
Grants receivable	138,198
Prepaid expenses	7,854
Total current assets	<u>196,726</u>
Property and equipment:	
Vehicles	21,929
Furniture and equipment	192,043
Textbooks	16,476
Less: accumulated depreciation	(39,896)
Property and equipment, net	<u>190,552</u>
	<u>\$ 387,278</u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	\$ 203,930
Current portion of equipment loan	5,096
Total current liabilities	<u>209,026</u>
Equipment loan	5,189
Forgivable note payable	100,000
Deferred rent payable	49,390
Total liabilities	<u>363,605</u>
Net assets:	
Unrestricted	(96,080)
Temporarily restricted	119,753
	<u>23,673</u>
	<u>\$ 387,278</u>

See accompanying notes to financial statements.

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Statement of Activities

	Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Support</u>			
State education support	\$ 476,448	-	476,448
Grant revenue	406,311	-	406,311
Student fees	235	-	235
Contributions	835	137,700	138,535
Interest income	41	-	41
Other income	944	-	944
Net assets released from restrictions	213,833	(213,833)	-
Total revenue and support	<u>1,098,647</u>	<u>(76,133)</u>	<u>1,022,514</u>
<u>Expenses</u>			
Program services	866,893	-	866,893
Management and general	359,537	-	359,537
Total expenses	<u>1,226,430</u>	<u>-</u>	<u>1,226,430</u>
Decrease in net assets	(127,783)	(76,133)	(203,916)
Net assets, beginning of year	<u>31,703</u>	<u>195,886</u>	<u>227,589</u>
Net assets (deficiency), end of year	<u>\$ (96,080)</u>	<u>119,753</u>	<u>23,673</u>

See accompanying notes to financial statements.

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Statement of Cash Flows

	Year Ended June 30, 2015
<u>Operating Activities</u>	
Change in net assets	\$ (203,916)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	37,649
Change in:	
Grants receivable	(120,183)
Prepaid expenses	(3,501)
Accounts payable and accrued expenses	153,460
Deferred rent	49,390
Net cash used by operating activities	<u>(87,101)</u>
<u>Investing Activities</u>	
Purchases of property and equipment	<u>(171,144)</u>
Net cash used by investing activities	<u>(171,144)</u>
<u>Financing Activities</u>	
Proceeds from equipment loan	11,900
Proceeds from forgivable notes payable	100,000
Principal repayment of equipment loan	<u>(1,615)</u>
Net cash provided by financing activities	<u>110,285</u>
Net decrease in cash	(147,960)
Cash, beginning of year	<u>198,634</u>
Cash, end of year	<u><u>\$ 50,674</u></u>
Supplemental disclosures:	
Cash payments for interest expense	\$ 229

See accompanying notes to financial statements.



# INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

## Notes to Financial Statements

June 30, 2015

### (1) Summary of Significant Accounting Policies

#### General

Indianapolis Academy of Excellence, 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 the Indiana Charter School Board. The School began operations in July 2014 and provided educational instruction to approximately 70 students in grades kindergarten through three during the 2014-15 academic year.

#### 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 paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the 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.

#### Grants Receivable

Grants receivable relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

## INDIANAPOLIS ACADEMY OF EXCELLENCE, 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.

##### Taxes on Income

Indianapolis Academy of Excellence, 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 year ended June 30, 2015, 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. Tax years ending 2015 and 2014 are open to audit for both federal and state purposes.

# INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

## 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 generally are as follows

Vehicles .....	5 years
Furniture and equipment .....	3 years
Textbooks .....	4 years

#### Subsequent Events

The School evaluated subsequent events through December 1, 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.

#### Deferred Rent Payable

The operating lease on the school facility contains a provision for future rent increases. In accordance with generally accepted accounting principles, the School records monthly rent expense equal to the total payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is reflected as deferred rent payable in the accompanying statement of financial position.

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Notes to Financial Statements

(2) Lease

The School executed a fifty-nine month lease on a building used as its school facility under an operating lease agreement that commenced on August 1, 2014. The lease provides for monthly rental payments that escalate over the term of the agreement. The School has the option to renew the lease for an additional five-year term. Under the lease, the School is also responsible for all repairs, maintenance, utilities, and insurance. Total lease expense for the year-ended June 30, 2015 was \$110,990.

Following is a schedule of future minimum lease obligations as of June 30, 2015:

Year Ended June 30:

2016 .....	\$ 109,200
2017 .....	141,503
2018 .....	141,503
2019 .....	141,503

(3) Equipment Loan

The equipment loan at June 30, 2015 consisted of a note payable to National Bus Sales, Inc. The note is payable in monthly installments of \$538, including interest at 8% per annum, through April 2017 and is secured by a lien on the related vehicle.

Principal maturities under the loan agreement are as follows:

Year Ended June 30:

2016 .....	\$ 5,096
2017 .....	<u>5,189</u>
	<u>\$10,285</u>

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Notes to Financial Statements

(4) Forgivable Note Payable

The School has a note payable to Team CFA Foundation. The note is for a total of \$300,000, to be disbursed in annual installments of \$100,000 over a three-year period beginning July 2014. The loan is unsecured and non-interest bearing. As of June 30, 2015, the School had received proceeds of \$100,000. Provided the School remains a Challenge Foundation Academy in good standing, the loan will be forgiven at a rate of \$100,000 per year in July 2018, 2019, and 2020. In the event that the Affiliate School Agreement between Team CFA Foundation and the School is terminated before July 1, 2020, the School will be required to pay to the order of Team CFA Foundation the remaining unforgiven principal balance outstanding, plus default interest of 6% per annum, within 30 days of the date of termination.

(5) Restricted Net Assets

Temporarily restricted net assets represent resources received from grantors and donors but not expended for the restricted purposes as of June 30, 2015. Temporarily restricted net assets as of June 30, 2015 were available for the following purposes:

Start-up costs .....	\$40,175
Technology costs .....	<u>79,578</u>
	<u>\$119,753</u>

Net assets were released from donor restrictions by incurring expenses or purchasing assets satisfying the restricted purpose. The following purpose restrictions were accomplished during the year ended June 30, 2015:

Start-up costs .....	\$155,711
Technology costs .....	46,422
Teacher development.....	<u>11,700</u>
	<u>\$213,833</u>

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Notes to Financial Statements

(6) Risks and Uncertainties

The School provides educational instruction to students residing in Marion County, 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, 2015, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at The Huntington National Bank and are insured up to the FDIC insurance limit.

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Notes to Financial Statements

(7) 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/or service for the year ended June 30, 2015:

	<u>2015</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$341,528	230,108
Employee benefits .....	60,110	34,623
Professional services .....	91,194	47,550
Staff development.....	41,028	-
Travel.....	-	11,634
Equipment .....	17,528	-
Food service .....	64,317	-
Classroom, kitchen and office supplies...	40,365	12,459
Repairs and maintenance.....	13,719	-
Occupancy .....	157,784	-
Depreciation .....	37,649	-
Interest .....	-	229
Insurance .....	-	13,768
Other .....	<u>1,671</u>	<u>9,166</u>
	<u>\$866,893</u>	<u>359,537</u>

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

Other Reports

Year Ended June 30, 2015

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

Supplemental Audit Report of Indianapolis Academy of Excellence, 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*.