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February 5, 2016

Charter School Board  
Indianapolis Metropolitan High School, LLC  
1635 W. Michigan Street  
Indianapolis, IN 46222

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Greenwalt CPAs, Inc., 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 Metropolitan High School, LLC 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 Metropolitan High School, LLC 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

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INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2015 AND 2014

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INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

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JUNE 30, 2015 AND 2014

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Goodwill Education Initiatives, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Indianapolis Metropolitan High School, LLC (an Indiana public charter school), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines of Audits of Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. 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 auditors' 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 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 Metropolitan High School, LLC as of June 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Greenwald CPAs, Inc.*

January 7, 2016

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

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ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,600,467	\$ 1,234,188
Accounts receivable	84,616	97,240
Prepayments	-	5,170
Inventory	6,863	13,283
	<u>1,691,946</u>	<u>1,349,881</u>
<i>Total current assets</i>	1,691,946	1,349,881
 <b>PROPERTY AND EQUIPMENT, NET</b>	 <u>206,448</u>	 <u>344,634</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 1,898,394</u></u>	 <u><u>\$ 1,694,515</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 96,650	\$ 118,189
Accrued liabilities	41,160	31,856
	<u>137,810</u>	<u>150,045</u>
<i>Total current liabilities</i>	137,810	150,045
 <b>CONTINGENCIES (NOTE 5)</b>		
 <b>NET ASSETS</b>		
Unrestricted	<u>1,760,584</u>	<u>1,544,470</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 1,898,394</u></u>	 <u><u>\$ 1,694,515</u></u>

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015 <u>UNRESTRICTED</u>	2014 <u>UNRESTRICTED</u>
<b>REVENUE</b>		
State and Federal grants	\$ 3,037,656	\$ 3,286,178
Student fees	25,576	27,250
Other income	20,649	46,650
	<u>3,083,881</u>	<u>3,360,078</u>
<i>Total revenue</i>		
<b>SUPPORT</b>		
Gifts and contributions	149,804	262,195
Gifts in-kind	692,000	752,200
	<u>841,804</u>	<u>1,014,395</u>
<i>Total support</i>		
<i>Total revenue and support</i>	<u>3,925,685</u>	<u>4,374,473</u>
<b>EXPENSES</b>		
Wages and benefits	1,862,175	1,988,844
Professional fees	439,532	492,418
Supplies and materials	86,203	97,932
Lunch program	76,141	98,762
Student transportation	71,319	71,274
Extra-curricular activities	38,236	35,560
Rent, including in-kind of \$692,000 and \$752,000 in 2015 and 2014, respectively	752,000	752,000
Other occupancy	36,533	53,339
Scholarships	94,210	172,652
Depreciation	205,083	283,358
Other expenses	48,139	80,855
	<u>3,709,571</u>	<u>4,126,994</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	216,114	247,479
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,544,470</u>	<u>1,296,991</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,760,584</u></u>	<u><u>\$ 1,544,470</u></u>

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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INCREASE IN CASH

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 216,114	\$ 247,479
Depreciation	205,083	283,358
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	12,624	133
Prepayments	5,170	(3,880)
Inventory	6,420	(13,283)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	(21,539)	(55,620)
Accrued liabilities	9,304	16,493
	<u>433,176</u>	<u>474,680</u>
 <i>Net cash provided by operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(66,897)</u>	<u>(49,537)</u>
<b>INCREASE IN CASH</b>	366,279	425,143
<b>CASH, BEGINNING OF YEAR</b>	<u>1,234,188</u>	<u>809,045</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,600,467</u>	<u>\$ 1,234,188</u>
 <b>SCHEDULE OF NONCASH OPERATING ACTIVITIES</b>		
In-kind rent	<u>\$ 692,000</u>	<u>\$ 752,000</u>

# INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DESCRIPTION OF ORGANIZATION

Indianapolis Metropolitan High School, LLC (Indianapolis Met) is an Indiana public charter high school operating under the ownership and control of Goodwill Education Initiatives, Inc. (GEI). GEI, an Indiana non-profit corporation, provides educational opportunities designed to enable young people and adults to prepare for productive lives. GEI operates public charter high schools (Indianapolis Met and the Excel Centers, interchangeably referred to herein as “the schools”) in central Indiana, under the provisions of the Indiana Charter School laws and the chartering authorities of the Mayor of Indianapolis and the Indiana Charter School Board. Indianapolis Met operates under a charter issued by the Mayor of Indianapolis. GEI is a wholly-owned and controlled subsidiary of Goodwill Industries of Central Indiana, Inc. (Goodwill), also an Indiana non-profit corporation.

The schools receive the majority of their funding from the Indiana Department of Education. Their revenues are supplemented with funds from the United States Department of Education, private grants, and gifts. The Met completed its eleventh year of operation on June 30, 2015 and student enrollment for the most recently completed school year was 262 students.

Indianapolis Met primarily serves underprivileged, at risk students in grades 9 through 12 in Indianapolis. Demographically, nearly 66% of Indianapolis Met’s students qualify for free or reduced lunch, 88% identify themselves as minority students, 22% have special needs, and the majority of incoming students arrive at Indianapolis Met two or more grade levels behind in reading and math skills. Since inception, Indianapolis Met has graduated 559 students, and 58% of those graduates have gone on to some form of post-secondary education or training, and remain in school two years after graduation. Indianapolis Met’s objectives include sustaining a graduation rate of 75% and having 75% of its graduates go on to college.

#### BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 support, revenues and expenses during the reporting period. For annual financial reporting purposes, Indianapolis Met uses a fiscal year that begins on July 1 and ends the following June 30.

#### CASH

Indianapolis Met considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2015 and 2014. Indianapolis Met maintains cash balances at a commercial bank. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2015 and 2014 Indianapolis Met maintained cash in excess of the FDIC coverage limits.

# INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to thirty days from the statement of financial position date.

Accounts receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn. Management is unable to determine the likelihood of reduced funding, and has not recorded a reserve related thereto.

#### INVENTORY

Inventory, consisting of student uniforms, has been valued at the lower of cost or market determined on a first in, first out (FIFO) basis.

#### PROPERTY AND EQUIPMENT

Property and equipment are recorded at historical cost. Depreciation is computed on the straight-line method over estimated useful lives ranging from 3 to 10 years. Indianapolis Met does not own any real property.

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 347,093	\$ 336,743
Computer hardware	586,330	546,835
Software	420,304	403,254
Vehicles	99,979	99,979
Furniture	696,168	696,168
	<u>2,149,874</u>	<u>2,082,979</u>
Accumulated depreciation	<u>(1,943,426)</u>	<u>(1,738,345)</u>
	<u>\$ 206,448</u>	<u>\$ 344,634</u>

#### NET ASSETS

Indianapolis Met maintains the following classifications of net assets:

#### Unrestricted

These include revenue and expenses from the regular operations of Indianapolis Met, which are at the discretion of management and the GEI Board of Directors.

# INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Temporarily Restricted

These include donations and grant revenues used to meet expenses of current operations in accordance with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. There were no temporarily restricted net assets at June 30, 2015 and 2014.

#### CONTRIBUTIONS

Contributions are recognized when the donor makes an unconditional promise to give to Indianapolis Met and are recorded at their fair values as revenues and assets in the period the promise is received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

#### ADVERTISING

Advertising and printing expenses totaled \$40,494 and \$32,871 for fiscal years 2015 and 2014, respectively. Indianapolis Met's policy is to record advertising expenditures in the period in which they are incurred.

#### FUNCTIONAL EXPENSE

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

Program activities:		<u>2015</u>		<u>2014</u>
Classroom instruction	\$	2,591,355	\$	3,075,807
Student counseling		143,665		95,057
Special education services		293,391		208,906
Total program activities		<u>3,028,411</u>		<u>3,379,770</u>
Supporting activities:				
Program support		254,628		309,776
Administrative support		426,532		437,448
Total support activities		<u>681,160</u>		<u>747,224</u>
Total functional expenses	\$	<u>3,709,571</u>	\$	<u>4,126,994</u>

#### SUBSEQUENT EVENTS

Subsequent events have been considered through January 7, 2016, which was the date the financial statements were available to be issued. See Note 6.

# INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 2. TAX STATUS

Indianapolis Met is a wholly-owned LLC of GEI, and as a result, the IRS disregards Indianapolis Met as a separate taxable entity and considers Indianapolis Met as part of GEI for tax reporting purposes.

GEI is an Indiana non-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, if income was generated from certain activities not directly related to GEI's tax-exempt purposes, such income would be subject to taxation as unrelated business income. GEI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code. GEI is no longer subject to examination by taxing authorities for tax years before 2011.

### 3. RETIREMENT PLAN

Indianapolis Met employees are employed and paid by GEI. Certain Indianapolis Met employees (licensed teachers, counselors and certain administrative staff) are eligible to participate in the Indiana Teachers Retirement Fund (TRF). By statute, employers are required to contribute 7.5% of an employee's pretax gross income to TRF. Employers may also elect to contribute an additional 3% in lieu of the employee's own contributions. GEI has elected to make the voluntary contribution on behalf of its eligible employees, including employees of Indianapolis Met. Indianapolis Met contributed \$89,244 and \$111,022 to TRF on behalf of its employees for fiscal years 2015 and 2014, respectively. Employees may elect to participate in Goodwill's employee retirement savings account which allows employees to contribute pre-tax gross income, subject to IRS limitations. Goodwill also maintains a discretionary thrift plan for eligible employees. For employees not eligible for TRF, Goodwill matches 100% of eligible employees' pre-tax contributions up to 6% of gross income. Goodwill may also make discretionary contributions to this plan. Employer matching contributions, as well as employer discretionary contributions, vest after three years or in the event of death or disability. Indianapolis Met's expense relating to contributions to the Goodwill thrift plan for the fiscal years 2015 and 2014 was \$9,755 and \$5,674, respectively.

### 4. RELATED PARTY TRANSACTIONS

Indianapolis Met is owned and operated by GEI. GEI, through INI Schools, provides employees, certain school-specific administrative services, and general management and oversight of the Met. GEI charges Indianapolis Met for its expenses related to the services provided. No markup is added to the fees charged to the schools. During fiscal years 2015 and 2014, the Met reimbursed \$280,000 and \$264,996 to GEI for administrative services, respectively.

Goodwill provides space at its Indianapolis headquarters campus to Indianapolis Met. During fiscal year 2015, Indianapolis Met paid \$60,000 to Goodwill for rental of the facilities space. The non-billed portion of the contributed space is considered an in-kind contribution and is recorded as revenue in the Statement of Activities. In fiscal years 2015 and 2014, Goodwill provided \$692,200 and \$752,000 of in-kind rent, respectively. These in-kind contributions are treated as non-cash transactions and are excluded from the accompanying statements of cash flows.

Goodwill also pays certain operating expenses, including certain employee benefits, of Indianapolis Met, for which Indianapolis Met fully reimburses Goodwill. No markup is charged. In fiscal years 2015 and 2014, Indianapolis Met paid Goodwill \$456,859 and \$235,234 for these expenses, respectively. At June 30, 2015 and 2014, Indianapolis Met owed Goodwill \$33,532 and \$28,618, respectively, which is included in accounts payable in the statements of financial position.

# INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 4. RELATED PARTY TRANSACTIONS, CONTINUED

Goodwill Industries Foundation of Central Indiana, Inc. (the Foundation) is an Indiana not-for-profit corporation related to Goodwill. The Foundation provides grants to Indianapolis Met for school startup, new initiatives and college scholarships for qualifying Met graduates. During fiscal years 2015 and 2014, Indianapolis Met received \$182,909 and \$248,741, respectively, of grant revenue from the Foundation. This revenue is included in Gifts and Contributions in the Statements of Activities.

Indianapolis Met employees participate in Goodwill's health care benefits plan. Goodwill self-insures for employee and dependent medical benefits up to a per-individual annual maximum of \$100,000, and an aggregate maximum of approximately \$6.6 million. Goodwill purchases reinsurance which pays individual claims that exceed \$100,000 per year. The reinsurer reviews claims annually and upon renewal of the reinsurance policy each year may establish higher specific maximums on selected individuals with high claims risks. Goodwill purchases claims administration services from a third party administrator. Indianapolis Met paid premiums to the Goodwill's health care plan of \$280,839 and \$207,636 for fiscal years 2015 and 2014, respectively.

### 5. FUTURE GRANT AUDITS

Under the terms of state and federal grants awarded to Indianapolis Met, periodic audits are required and certain costs may be challenged as to the allowability under the terms of the grants. Such audits could lead to reimbursement to the grantor. Management believes the likelihood that material costs incurred by Indianapolis Met will be disallowed is remote.

### 6. LINE OF CREDIT

GEI has a line of credit with a financial institution which expires during September 2015. The maximum amount available under the line of credit is \$2.5 million. Borrowings bear interest at the one-month LIBOR rate plus 2.5% (2.69% at June 30, 2015). At June 30, 2015 and 2014, the Indianapolis Met has no balance outstanding on the line of credit. The line of credit includes a non-use fee of 0.15% on the unused balance. Goodwill serves as the guarantor on the line of credit.

Subsequent to year end, the line of credit was extended through September 2017. The amended agreement provides for maximum borrowings of \$1.5 million and bears interest at the one-month LIBOR rate plus 1.75%.

### 7. RECLASSIFICATION

Certain items in the 2014 financial statements have been retroactively reclassified to conform to the 2015 presentation. These reclassifications had no effect on net assets at June 30, 2014.

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

Supplemental Audit Report of the Indianapolis Metropolitan High School, LLC