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STATE OF INDIANA

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September 7, 2016

Charter School Board
Beacon Academies, Inc.
620 Cumberland Ave
West Lafayette, IN 47906

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich LLP, Independent Public Accountants, for the period July 1, 2013 to June 30, 2016. 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 Beacon Academies, Inc., as of June 30, 2016, 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 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

BEACON ACADEMY, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Three Years Ended
June 30, 2016

BEACON ACADEMY, INC.
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Sikich®

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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Beacon Academy, Inc.
West Lafayette, Indiana

We have audited the accompanying financial statements of Beacon Academy, Inc. (an Indiana non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the three 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 controls 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 Beacon Academy, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the three years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, as detailed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sikich LLP

Indianapolis, Indiana
August 25, 2016

FINANCIAL STATEMENTS

BEACON ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION

Three Years Ended June 30, 2016

ASSETS

PROPERTY AND EQUIPMENT		
Software	$	2,000
Less: Accumulated depreciation		(2,000)
Total Property and Equipment, net		-
TOTAL ASSETS	$	-

LIABILITIES AND NET ASSETS

NET ASSETS:		
Unrestricted	$	-
Temporarily Restricted		-
Total Net Assets		-
TOTAL LIABILITIES AND NET ASSETS	$	-

See accompanying notes to financial statements.

BEACON ACADEMY, INC.

STATEMENT OF ACTIVITIES

Three Years Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Student fees	$ 5,943	$ -	$ 5,943
Contributions and donations	17,971	-	17,971
Grant revenue	70,694	-	70,694
State support	589,843	-	589,843
Interest income	129	-	129
Other revenue	3,854	-	3,854
Gain on sale/disposal of property and equipment	50,828	-	50,828
Total Revenues and Support	739,262	-	739,262
PROGRAM AND SUPPORTING SERVICE EXPENSES			
Program services	321,865	-	321,865
General and administrative	538,131	-	538,131
Total Expenses	859,996	-	859,996
CHANGE IN NET ASSETS	(120,734)	-	(120,734)
NET ASSETS, beginning of period	120,734	-	120,734
NET ASSETS, end of period	$ -	$ -	$ -

See accompanying notes to financial statements.

BEACON ACADEMY, INC.

STATEMENT OF CASH FLOWS

Three Years Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(120,734)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation		45,005
Gain on sale/disposal of property and equipment		(50,828)
Decrease in:		
Prepaid expenses		7,133
Lease deposit		1,550
Decrease in:		
Accounts payable		(12,062)
NET CASH USED IN OPERATING ACTIVITIES		(129,936)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment		50,828
NET CASH PROVIDED BY INVESTING ACTIVITIES		50,828
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable		7,500
Payments on note payable		(7,500)
NET CASH USED BY FINANCING ACTIVITIES		-
NET DECREASE IN CASH		(79,108)
CASH, beginning of year		79,108
CASH, end of year	$	-

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Beacon Academy, Inc. (the "Academy") was incorporated on February 10, 1997, under the laws of the State of Indiana and commenced operations in August 2008. The Academy was a West Lafayette charter school that provided middle school and high school students, considered educationally at-risk, with educational programs specifically targeted to their individual needs. The Academy's primary source of revenue and support was grants from the Indiana Department of Education. The Academy ceased operations effective December 31, 2015.

Basis of Accounting

The financial statements of the Academy have been prepared on the accrual basis of accounting. Revenue was recognized when earned and expenses when the obligation was incurred.

Basis of Presentation

The Academy reported information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

The financial statements report amounts separately by class of net assets:

Unrestricted net assets

Unrestricted amounts were those currently available for use in the Academy's activities.

Temporarily restricted net assets

Temporarily restricted expendable amounts were those which were restricted by donors for specific purposes or the passage of time. As of June 30, 2016, the Academy had no temporarily restricted net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently restricted net assets

Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Academy. Generally, the donors of these assets permitted the Academy to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2016, the Academy had no permanently restricted net assets.

Cash

For purposes of the statement of cash flows, the Academy considered only cash on hand and cash deposits subject to immediate withdrawal as cash.

Property and Equipment

Property and equipment was recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The Academy capitalized additions of property and equipment in excess of $1,000 cost or fair value if contributed. Depreciation of property and equipment was computed using the straight-line method and based upon the estimated useful lives of the assets. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets were capitalized. Expenditures for maintenance and repairs were charged to expense when incurred. When an asset was retired or otherwise disposed of, the cost and accumulated depreciation was removed from the accounts and any gain or loss was included in the statements of activities.

Depreciation expense was $45,005 for the three years ended June 30, 2016.

Contributed Materials and Services

Contributed services were recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, were performed by people with those skills, and would otherwise be purchased by the Academy. Contributions of tangible assets were recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions were offset by like amounts included in expenses or additions to property and equipment.

The Academy received no in-kind contributions during the three years ended June 30, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services (Continued)

Volunteers provided program and fund-raising services throughout the year that were not recognized as contributions in the financial statements since they did not meet the recognition criteria. These services included volunteering at events, picking up donations, and various clerical work.

Revenue Recognition

Revenues primarily came from resources provided under the Indiana Charter Schools Act. Under the Act, the Academy received 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 July through June following the start of the academic school year. Revenue was recognized in the year in which the educational services are rendered.

A portion of the Academy's revenue was the product of cost reimbursement grants. Accordingly, the Academy recognized revenue under the grants in the amounts of costs and expenses at the time they were incurred.

The Academy reported grants of cash and other assets as restricted support if they were received with donor stipulations that limited the use of the donated assets. When a donor restriction expired, that is, when a stipulated time restriction ended, or purpose restriction was accomplished, temporarily restricted net assets were reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction was fulfilled in the same time period in which the grant was received, the Academy reported the support as unrestricted.

Functional Expense Allocation

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

Costs were allocated to the programs and supporting services. Management periodically evaluated its allocation method and revised it when necessary. Management and general expenses include those expenses that were indirectly identifiable with other specific functions, but provided for the overall support and direction of the Academy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

Management used estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

Advertising

The Academy expensed advertising costs as they were incurred. Advertising expense for the three years ended June 30, 2016 was $490.

Income Taxes

The Academy was exempt from federal income taxes under Section 501(c) (3) of the U.S. Internal Revenue Code. The Academy was not considered to be a private foundation. Accordingly, no provision for income taxes had been reflected in the Academy's financial statements.

The Academy evaluated their uncertain tax positions on an annual basis, and there have been no recorded uncertain tax positions recorded in the three years ended June 30, 2016. Therefore, no provision or liability for income taxes has been included in the financial statements.

Concentration of Credit Risk

Financial instruments that potentially subjected the Academy to concentrations of credit risk consisted principally of cash and cash equivalents and revenue from the Indiana Department of Education.

The Academy placed its temporary cash investments with financial institutions and limited the amount of credit exposure to any one financial institution. There were no funds in excess of FDIC insured limits at June 30, 2016.

Operating Funds from the Indiana Department of Education amounted to 89% of the Academy's support and revenue in the three years ended June 30, 2016. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education

The Academy provided a dynamic approach to learning, doing, and thinking. All components of the design were based on three foundational principles: first, that learning must be based on the interests and goals of each student; second, that a student's curriculum must be relevant to people and places that exist in the real world; and finally, that a student's abilities must be authentically measured by the quality of her or his work.

3. OPERATING LEASE

During 2012, the Academy entered into a one year lease with the Temple Israel, Inc. for educational facilities located at 620 Cumberland Ave, West Lafayette, Indiana, which was subsequently renewed for the next three years on a month-to-month basis for 10 months a year. The lease required monthly payments varying from $2,000 to $2,760 per month during the three years ended June 30, 2016. The lease ended when the Academy closed on December 31, 2015. During the three years ended June 30, 2016, $58,040 was expensed for educational facilities rent.

4. PENSION PLAN

The Academy elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement plan, 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. The Indiana Teachers' Retirement Fund (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. Retirement plan expense for PERF and TRF was $177 for the three years ended June 30, 2016. INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

The Academy's faculty and certain administrative employees were participants in a 403(b) Plan tax deferred annuity retirement plan. All participants may contribute to the Plan. The Academy contributes 7.5% of an employee's salary. There was a total 403(b) Plan employer contribution of $23,818 for the three years ended June 30, 2016.

5. SUBSEQUENT EVENTS

In preparing these financial statements, the Academy has evaluated subsequent events and transactions for potential recognition or disclosure through August 25, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BEACON ACADEMY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Three Years Ended June 30, 2016

	Program Service Expenses			Supporting Services	
	Grants	Academics	Total Program Services	General and Administrative	Total Expenses
Salaries and benefits	$ 60,321	$ 182,904	$ 243,225	$ 328,379	$ 571,604
Professional services	1,670	196	1,866	3,698	5,564
Information technology	-	435	435	2,015	2,450
Accounting/payroll services	-	-	-	93,932	93,932
Materials/supplies/fees/postage	5,209	2,762	7,971	22,192	30,163
Sales/marketing	-	176	176	430	606
Nutritional support	-	-	-	1,041	1,041
Travel and entertainment	-	222	222	2,662	2,884
Rent - building & equipment	-	23,441	23,441	35,163	58,604
Depreciation and amortization	-	40,505	40,505	4,500	45,005
Utilities	-	-	-	3,840	3,840
Small equipment purchases	3,182	842	4,024	-	4,024
Insurance	-	-	-	37,186	37,186
Building maintenance	-	-	-	3,093	3,093
	$ 70,382	$ 251,483	$ 321,865	$ 538,131	$ 859,996

See accompanying notes to financial statements.