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September 27, 2016

Charter School Board
Anderson Preparatory Academy
2200 W 22nd St,
Anderson, IN 46016

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan PC, Independent Public Accountants, for the period July 1, 2015 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 Anderson Preparatory Academy, 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

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015



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Independent Auditors' Report

The Board of Directors
Central Indiana Military Academy, Inc.
d/b/a Anderson Preparatory Academy
3205 West 25th Street
Anderson, IN 46011

We have audited the accompanying financial statements of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses 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 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 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 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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Indiana Military Academy, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

August 25, 2016
Indianapolis, Indiana

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 719,964	\$ 711,807
Grants receivable	-	38,641
Prepaid expenses	43,837	34,164
<i>Total current assets</i>	<u>763,801</u>	<u>784,612</u>
PROPERTY AND EQUIPMENT		
Land	320,000	320,000
Buildings and improvements	3,012,555	2,961,081
Furniture and equipment	1,476,034	1,542,405
Textbooks	143,963	137,197
Vehicles	41,750	41,750
Less: accumulated depreciation	<u>(1,749,104)</u>	<u>(1,802,365)</u>
<i>Property and equipment, net</i>	<u>3,245,198</u>	<u>3,200,068</u>
TOTAL ASSETS	<u><u>\$ 4,008,999</u></u>	<u><u>\$ 3,984,680</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 135,628	\$ 128,902
Current portion of capital lease obligations	59,950	160,385
Accounts payable and accrued expenses	295,555	648,245
Refundable advances	19,485	-
<i>Total current liabilities</i>	<u>510,618</u>	<u>937,532</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	1,691,781	1,827,421
Capital lease obligations, net of current portion	119,886	89,954
<i>Total long-term liabilities</i>	<u>1,811,667</u>	<u>1,917,375</u>
<i>Total liabilities</i>	<u>2,322,285</u>	<u>2,854,907</u>
NET ASSETS		
Unrestricted	1,595,915	1,039,591
Temporarily restricted	90,799	90,182
<i>Total net assets</i>	<u>1,686,714</u>	<u>1,129,773</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,008,999</u></u>	<u><u>\$ 3,984,680</u></u>

See independent auditors' report and accompanying notes to financial statements

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>			<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
State education support	\$ 5,456,238	\$ -	\$ 5,456,238	\$ 5,451,496	\$ -	\$ 5,451,496
Grant revenue	1,091,099	-	1,091,099	749,409	-	749,409
Student fees	135,445	80,149	215,594	124,644	79,862	204,506
Contributions	47,869	-	47,869	19,987	-	19,987
Fundraising and other income	146,313	102,711	249,024	124,969	110,815	235,784
Net assets released from restrictions	182,243	(182,243)	-	173,586	(173,586)	-
<i>Total revenue and support</i>	<u>7,059,207</u>	<u>617</u>	<u>7,059,824</u>	<u>6,644,091</u>	<u>17,091</u>	<u>6,661,182</u>
EXPENSES						
Program services	5,282,006	-	5,282,006	5,486,417	-	5,486,417
Management and general	1,220,877	-	1,220,877	1,174,077	-	1,174,077
<i>Total expenses</i>	<u>6,502,883</u>	<u>-</u>	<u>6,502,883</u>	<u>6,660,494</u>	<u>-</u>	<u>6,660,494</u>
CHANGE IN NET ASSETS	556,324	617	556,941	(16,403)	17,091	688
NET ASSETS, BEGINNING OF YEAR	<u>1,039,591</u>	<u>90,182</u>	<u>1,129,772</u>	<u>1,055,994</u>	<u>73,091</u>	<u>1,129,084</u>
NET ASSETS, END OF YEAR	<u>\$ 1,595,915</u>	<u>\$ 90,799</u>	<u>\$ 1,686,713</u>	<u>\$ 1,039,591</u>	<u>\$ 90,182</u>	<u>\$ 1,129,772</u>

See independent auditors' report and accompanying notes to financial statements

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>			<u>2015</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 2,940,636	\$ 605,447	\$ 3,546,083	\$ 3,159,388	\$ 613,483	\$ 3,772,871
Employee benefits	572,495	124,840	697,335	594,534	106,972	701,506
Staff development	24,762	5,430	30,192	15,002	5,383	20,385
Professional services	278,705	194,171	472,876	265,727	118,397	384,124
Property rental and maintenance	274,846	-	274,846	273,862	-	273,862
Authorizer oversight fees	-	124,051	124,051	-	112,840	112,840
Transportation	16,051	-	16,051	18,799	-	18,799
Classroom, kitchen and office supplies	393,276	26,332	419,608	320,683	21,546	342,229
Occupancy	354,442	-	354,442	398,575	-	398,575
Depreciation	287,230	-	287,230	297,885	-	297,885
Interest	104,031	-	104,031	105,035	5,699	110,734
Insurance	-	109,105	109,105	-	120,343	120,343
Other	35,532	31,501	67,033	36,927	69,414	106,341
	<u>\$ 5,282,006</u>	<u>\$ 1,220,877</u>	<u>\$ 6,502,883</u>	<u>\$ 5,486,417</u>	<u>\$ 1,174,077</u>	<u>\$ 6,660,494</u>
<i>Total functional expenses</i>						

See independent auditors' report and accompanying notes to financial statements

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 556,941	\$ 688
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	287,230	297,885
Changes in certain assets and liabilities		
Grants receivable	38,641	1,117
Prepaid expenses	(9,673)	36,392
Accounts payable and accrued expenses	(352,690)	169,852
Refundable advances	19,485	-
	<u>539,934</u>	<u>505,934</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(235,760)</u>	<u>(504,348)</u>
FINANCING ACTIVITIES		
Principal reduction of capital lease obligations	(167,103)	(166,616)
Proceeds from notes payable	-	198,310
Principal repayment of notes payable	<u>(128,914)</u>	<u>(111,853)</u>
	<u>(296,017)</u>	<u>(80,159)</u>
<i>Net cash used in financing activities</i>		
NET CHANGE IN CASH	8,157	(78,573)
CASH, BEGINNING OF YEAR	<u>711,807</u>	<u>790,380</u>
CASH, END OF YEAR	<u>\$ 719,964</u>	<u>\$ 711,807</u>
SUPPLEMENTAL INFORMATION		
Property and equipment obtained under capital leases	\$ 96,600	\$ 107,052
Cash paid for interest	104,031	110,734

See independent auditors' report and accompanying notes to financial statements

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy (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 serving grades kindergarten through twelve and sponsored by Ball State University.

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.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net 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.

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. Therefore, the School recognizes revenue under these grants in the amounts 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.

Contributions and Fees – The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the 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.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Central Indiana Military Academy, 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, 2016 and 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 after 2012 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of 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:

Building and improvements	10 to 40 years
Furniture and equipment	3 years
Textbooks	4 years
Vehicles	5 years

Subsequent Events – The School evaluated subsequent events through August 25, 2016, 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 require.

NOTE 2 – REVOLVING LINE OF CREDIT

The School has a \$100,000 revolving line of credit to provide short-term financing, which is secured by all business assets. Bank advances on the credit line carry an interest rate of .75% above the lender's prime rate. There were no advances outstanding on the line of credit as of June 30, 2016 and 2015.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 3 – NOTES PAYABLE

Notes payable at June 30, 2016 and 2015 was comprised of:

	<u>2016</u>	<u>2015</u>
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$4,214 including interest at 4.85% per annum (adjustable annually beginning September 2019) through July 2026, secured by a mortgage on School facilities and all business assets	\$ 401,837	\$ 431,785
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$3,224 including interest at 4.85% per annum (adjustable annually beginning September 2019) through March 2029, secured by a mortgage on School facilities and all business assets	357,486	384,479
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$7,341 including interest at 4.85% per annum (adjustable annually beginning August 2019) through August 2026, secured by a mortgage on School facilities and all business assets	703,788	755,784
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$3,761 including interest at 4.85% per annum (adjustable annually beginning August 2019) through July 2026, secured by a mortgage on School facilities and all business assets	<u>364,298</u>	<u>384,275</u>
	1,827,409	1,956,323
Less: current portion	<u>(135,628)</u>	<u>(128,902)</u>
Long-term portion	<u>\$ 1,691,781</u>	<u>\$ 1,827,421</u>

Principal maturities of long-term debt are as follows for the years ending June 30:

2017	\$ 135,628
2018	142,463
2019	149,628
2020	156,978
2021	165,050
Thereafter	<u>1,077,662</u>
	<u>\$ 1,827,409</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 4 – LEASES

The School leases various items of equipment under capital leases. At June 30, 2016, the cost and accumulated depreciation relating to these assets were \$569,719 and \$471,730, respectively (\$872,732 and \$772,019 at June 30, 2015).

Minimum future lease payments as of June 30, 2016 under capital leases and the present value of the net minimum lease payments are as follows for the years ending June 30:

2017	\$	68,200
2018		51,823
2019		48,596
2020		23,533
2021		3,914
Less: amount representing interest		<u>(16,230)</u>
	\$	<u>179,836</u>

The School also leases various items of equipment under operating leases. Total expense under these operating leases for 2016 and 2015 was \$34,317 and \$44,759, respectively. Minimum future rental payments as of June 30, 2016 for all operating leases with initial, non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2017	\$	13,127
2018		12,178
2019		7,104

NOTE 5 – RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are 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 determined annually by the INPRS Board. For the years ended June 30, 2016 and 2015, the School contributed 7.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2015 (the latest year reported), TRF was more than 80% funded. A copy of the complete annual report for the year ended June 30, 2015 can be obtained at www.in.gov/inprs/files/2015INPRSCAFRBook.pdf.

All other employees are eligible to participate in a School-sponsored section 403(b) plan. Under this plan, the School contributes 6% of compensation, as defined in the plan document. Additional contributions may be made at the discretion of the Board of Directors. No discretionary contributions were made in 2016 or 2015. Retirement plan expense under both plans was \$223,164 and \$200,468 for the years ended June 30, 2016 and 2015, respectively.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 6 – 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. Payments under this charter agreement were \$124,051 and \$112,840 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

The School executed a service contract for network and technology services. Under this contract, the School has committed to make annual payments of \$75,768 through June 30, 2017 with the option to purchase additional services for which the School is billed as services are provided. The School has the option to terminate the agreement with 30 days notice. Payments under this agreement were \$79,969 and \$88,069 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 – RISKS AND UNCERTAINTIES

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at MainSource Bank, and are insured up to the FDIC insurance limit.

NOTE 8 – 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.